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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

z ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

. TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-34554

DIRECTV

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	26-4772533 (I.R.S. Employer Identification No.)
2260 East Imperial Highway, El Segundo, California (Address of Principal Executive Offices)	90245 (Zip Code)

Registrant's telephone number, including area code: (310) 964-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, $0.01 par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes z No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes . No z

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes z No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes z No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer z	Accelerated filer .	Non-accelerated filer . (Do not check if a smaller reporting company)	Smaller reporting company .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes · No ☒

As of June 30, 2014, the aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates was $34,022,895,210.

As of February 13, 2015, the registrant had outstanding 502,801,382 shares of common stock.

Documents incorporated by reference are as follows:

Document	Part and Item Number of Form 10-K into which Incorporated
DIRECTV Form 10-K/A to be filed no later than April 30, 2015	Part I, Item 5 Part III, Items 10 through 14

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DIRECTV

CAUTIONARY STATEMENT FOR PURPOSE OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Annual Report on Form 10-K may contain certain statements that we believe are, or may be considered to be, "forward-looking statements" within the meaning of various provisions of the Securities Act of 1933 and of the Securities Exchange Act of 1934. These forward-looking statements generally can be identified by use of statements that include phrases such as we "believe," "expect," "estimate," "anticipate," "intend," "plan," "foresee," "project" or other similar references to future periods. Examples of forward-looking statements include, but are not limited to, statements we make related to our business strategy and regarding our outlook for 2015 financial results, liquidity and capital resources.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include economic, business, competitive, national or global political, market and regulatory conditions and other risks, each of which is described in more detail in Item 1A-Risk Factors of this Annual Report.

Any forward-looking statement made by us in this Annual Report on Form 10-K speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may occur and it is not possible for us to predict them all. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

DIRECTV

PART I

ITEM 1. BUSINESS

DIRECTV, which we also refer to as the Company, we, or us, is a leading provider of digital television entertainment in the United States and Latin America. We operate two direct-to-home, or DTH, business units: DIRECTV U.S. and DIRECTV Latin America, which are differentiated by their geographic location and are engaged in acquiring, promoting, selling and distributing digital entertainment programming primarily via satellite to residential and commercial subscribers. In addition, we own and operate two regional sports networks, or RSNs, and retain a non-controlling interest in two other RSNs, all of which operate under the brand name ROOT SPORTS. We also own a 42% interest in Game Show Network, LLC, or GSN, a television network dedicated to game-related programming and Internet interactive game playing. We account for our investments in GSN and the two RSNs in which we own non-controlling interest using the equity method of accounting.

- ***DIRECTV U.S.*** DIRECTV Holdings LLC and its subsidiaries, which we refer to as DIRECTV U.S., is the largest provider of DTH digital television services and the second largest provider in the multi-channel video programming distribution, or MVPD, industry in the United States. As of December 31, 2014, DIRECTV U.S. had approximately 20.4 million subscribers.

- ***DIRECTV Latin America.*** DIRECTV Latin America Holdings, Inc. and its subsidiaries, or DIRECTV Latin America, is a leading provider of DTH digital television services throughout Latin America. DIRECTV Latin America is comprised of: PanAmericana, which provides services in Argentina, Chile, Colombia, Ecuador, Peru, Puerto Rico, Venezuela and certain other countries in the region, and Sky Brasil Servicos Ltda., or Sky Brasil, which is a 93% owned subsidiary. DIRECTV Latin America also includes our 41% equity method investment in Innova, S. de R.L. de C.V., or Sky Mexico, which we include in the PanAmericana and Other segment. As of December 31, 2014, PanAmericana had approximately 6.8 million subscribers, Sky Brasil had approximately 5.6 million subscribers and Sky Mexico had approximately 6.6 million subscribers.

- ***DIRECTV Sports Networks.*** DIRECTV Sports Networks LLC and its subsidiaries, or DSN, is comprised primarily of two wholly owned regional sports networks based in Denver, Colorado and Pittsburgh, Pennsylvania and two regional sports networks based in Seattle, Washington and Houston, Texas in which DSN retains a non-controlling interest, each of which operates under the brand name ROOT SPORTS. Please see Note 4 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report for more information regarding the acquisition of the regional sports network based in Houston, Texas. The operating results of DSN are reported as part of the "Sports Networks, Eliminations and Other" reporting segment.

Our vision is to make DIRECTV the best video experience anytime and anywhere for customers in both the United States and Latin America. Our primary strategy for achieving this vision is to combine unique and compelling content along with technological innovation and industry-leading customer service to make DIRECTV the clear choice among consumers throughout the Americas. We believe that our employees' commitment to excellence is integral to the success of this strategy and to the future of our company. We intend to advance a service-oriented culture focused on building lifelong customer relationships while maintaining financial strength and a cost structure that enables profitable growth in the markets we serve.

The DIRECTV team is committed to our company values: leadership, innovation, decisiveness, agility, teamwork and integrity. We believe sustaining a high level of employee engagement and developing the talent we have among our people cultivates an environment of loyalty and can be directly correlated with increased customer satisfaction, productivity and profitability. Therefore, we have intensified our leadership development programs, and placed an even greater emphasis on diversity and an inclusive workplace culture to foster higher levels of innovation, engagement, cross-functional teamwork and collaboration. We also believe it is important to promote the behaviors that reflect our company values within the communities that we serve through volunteer

service projects, employee-driven corporate citizenship programs and meaningful educational initiatives that impact and enrich students' curriculum. In addition, we are supporting sustainable business practices company-wide, to help ensure that our planet is healthy for future generations. DIRECTV's common stock trades on the NASDAQ® Global Select Market, or NASDAQ, under the ticker "DTV". DIRECTV was incorporated in Delaware in 2009.

PROPOSED AT&T MERGER TRANSACTION

DIRECTV's U.S. business operates in a highly competitive market with challenging content economics and business model disruption from new offerings and technologies (See Risk Factors section below). In addition, consumer preferences continue to shift to purchasing a bundle of video and broadband services, as well as watching more content on demand and consuming media through mobile devices. To address these and other strategic challenges, on May 18, 2014, DIRECTV and AT&T announced that they entered into a definitive agreement under which DIRECTV will combine with AT&T in a stock and cash transaction. The Agreement and Plan of Merger, which was included as Exhibit 2.1 to the Form 8-K filed with the SEC on May 19, 2014, or the Merger Agreement, was approved unanimously by the Board of Directors of each company and was approved by our stockholders at a special meeting held on September 25, 2014. We believe the proposed combination with AT&T, when completed, will provide us the opportunity to access additional resources to better compete and grow our business despite this environment.

As discussed more fully in the Registration Statement on Form S-4 filed by AT&T with the Securities and Exchange Commission on July 1, 2014, we believe the combination of AT&T's 21 state wireline footprint, which covers 55 million customer locations, with DIRECTV's best-in-class product and services will allow DIRECTV and AT&T to offer a customer-friendly bundled service that will more effectively compete with similar offers from cable competitors. In addition, we expect to offer a bundle of DIRECTV video and AT&T wireless service nationwide—a service which has over 100 million subscribers—that we believe consumers will find compelling in part due to the continued shift in consumers viewing habits onto their mobile devices. The combination will also provide the possibility to be more efficient with regards to content costs due to the merged company's larger scale combined with the opportunity for programmers to offer their product to a broader set of customers. In addition, the combination of the two companies will potentially allow for new and expanded Internet delivered services as well as a wider roll out of broadband offerings to rural areas, many of which will for the first time have the opportunity to take advantage of lower priced bundled offerings.

We believe that the proposed transaction, which is subject to regulatory approval, will be approved and completed in the first half of 2015. The following discussion lays out the strengths and strategies of our U.S. and Latin America businesses as they stand today, prior to the consummation of the merger, which is awaiting regulatory approval.

DIRECTV U.S.

Through DIRECTV U.S., we provide approximately 20.4 million subscribers with access to hundreds of channels of digital-quality video entertainment and audio programming that we transmit directly to subscribers' homes or businesses via high-powered geosynchronous satellites. We also provide video-on-demand, or VOD, by "pushing" top-rated movies onto customers' digital video recorders, or DVRs, for instant viewing, as well as via broadband to our subscribers who have connected their set-top receiver to their broadband service. In addition, our subscribers have the ability to use directv.com or our mobile applications for smartphones and tablets to view authorized content, search program listings and schedule DVR recordings.

We believe we provide one of the most extensive collections of programming available in the MVPD industry (all of the channel, program and title counts below are roughly as of year end 2014 unless otherwise noted). This includes over 195 national high-definition, or HD, television channels, one dedicated Ultra-HD, or 4K, channel and one dedicated 3D channel. In addition, we offer video-on-demand, or VOD, service named

DIRECTV CINEMA®, which provides a selection of approximately 12,000 movie and television programs to our broadband-connected subscribers. Through directv.com our subscribers have access to over 21,000 movie and television programs. We also provide local channel coverage to markets covering over 99% of U.S. television households, virtually all in HD.

We also provide premium professional and collegiate sports programming such as the NFL SUNDAY TICKET package, which allows subscribers to view the largest selection of NFL games available each Sunday during the regular season. Under our contract with the NFL, we have exclusive rights to provide this service, including rights to provide related broadband, HD, VOD, interactive and mobile services.

To subscribe to the DIRECTV® service, subscribers sign up for our service directly through us or our national retailers, independent satellite television retailers or dealers, or regional telephone companies, which we refer to as telcos. We or one of our home service providers or dealers generally install the receiving equipment. The receiving equipment, which we refer to as a DIRECTV® System, consists of a receiving satellite dish antenna, one or more digital set-top receivers, which are typically leased to the subscriber, and remote controls. After acquiring and installing a DIRECTV System, subscribers activate the DIRECTV service by contacting us and subscribing to one of our programming packages that are tailored to appeal to specific segments of existing and potential customers.

Key Strengths

- ***Large Subscriber Base.*** We are the largest provider of DTH digital television services and the second largest MVPD provider in the United States, in each case based on the number of subscribers. We believe that our large subscriber base provides us with the opportunity to obtain programming on favorable terms vis a vis smaller competitors and secure unique and exclusive programming. We also believe that our large subscriber base contributes to achieving other economies of scale in areas such as DIRECTV System equipment purchasing, customer service, installation and repair, broadcast operations and general and administrative services.

- ***Leading Brand Name.*** We commissioned a study in 2013 which indicated that 95% of consumers in the United States recognized the DIRECTV brand name. We believe the strength of our brand name is an important factor in our ability to attract new subscribers and retain existing subscribers. In addition, we believe our recognized brand name enhances our ability to secure strategic alliances with programmers, distributors and other technology and service providers.

- ***Substantial Channel Capacity and Programming Content.*** As a result of our significant channel capacity, we believe we are able to deliver to our subscribers one of the widest selections of local and national programming available today in the United States, including exclusive programming such as the NFL SUNDAY TICKET package, original series content such as ROGUE and KINGDOM, international programming, premium channels, regional sports networks and one of the most extensive national HD offerings currently available in the industry. In addition, we believe that we offer one of the most comprehensive collections of sports programming content available both inside and outside of the home, highlighted by the NFL SUNDAY TICKET MAX package.

- ***High-Quality Digital Picture and Sound, Including HD and 3D Programming.*** Our video and audio programming is 100% digitally delivered, providing subscribers with digital-quality video and sound. We believe this compares favorably with cable providers, as DIRECTV's picture quality has consistently been rated higher than cable in J.D. Power and Associates' annual survey. In addition, we believe we currently offer one of the nation's most comprehensive selections of HD channels, including a large collection of 1080p HD movies. Also, we currently offer one dedicated channel for 3D programming and another for 4K programming. In the future, we expect to carry additional 4K programming, the next generation of improved picture quality.

- ***Sales and Marketing.*** We sell DIRECTV through a number of distribution channels, including direct sales, online, telcos, national sales providers, local sales providers and consumer electronics retailers. We believe this variety of distribution alternatives coupled with sophisticated marketing programs has enabled us to continue to grow our subscriber base in an increasingly competitive and mature business.

- ***Technology.*** We devote considerable resources to improving our set-top receivers, including the middleware for our receivers, as well as developing new services such as in-home and out-of-home video streaming. For example in 2013, we introduced the next generation DIRECTV Genie®, a premium high-definition whole-home DVR with a terabyte hard drive that allows consumers to record five different high-definition programs simultaneously while viewing and controlling content from one DVR to four different locations in the house at the same time with the appropriate equipment. Our new DIRECTV Genie is our fastest and most reliable DVR to date and comes equipped with a unique personalized recommendation engine, the ability to create a customizable sports portal for your favorite teams, built in Wi-Fi to access VOD content and the ability to watch 4K programming when the customer also uses a DIRECTV-Ready 4K television. In addition, we continue to evolve our platform to meet our subscribers' desire to view quality content where they want it most. For example in 2014, we expanded access to our live streaming content offerings on certain devices both inside and outside of the home and increased the programming available for subscribers to watch provided they are connected to the Internet. We have also improved the quality and reliability of our streaming technology to improve the experience as well as making significant improvements to our website and applications to make it easier to find the content our customers want to watch more easily and quickly. These improvements have led to significant increases in both the number of customers streaming content as well as the amount of content they watch. We also expect to further optimize our DIRECTV Everywhere offerings with enhancements to the second screen experience, such as increased functionality, personalization, social integration and commerce capabilities.

- ***Strong Customer Satisfaction.*** We have attained top rankings in customer satisfaction studies for our industry. For example, we have scored higher than the largest national cable providers in customer satisfaction for fourteen consecutive years in the American Customer Satisfaction Index. In addition, over the last three years, we have more than doubled our Net Promoter Score, or NPS, as measured by SatMetrix, with our most recent score being the highest in the industry. We believe that providing high-quality customer service is an important element in minimizing subscriber disconnection, or churn, and attracting new subscribers.

- ***Valuable Orbital Slots and Satellite-Based Technology.*** We believe our regulatory authorization to use desirable orbital slots and broadcast spectrum helps sustain our position as one of the leading companies in the MVPD industry. Our satellite-based service provides us with many advantages over ground-based cable television services. We have the ability to distribute hundreds of channels to millions of recipients nationwide with minimal incremental infrastructure cost per additional subscriber. In addition, we have comprehensive coverage to areas with low population density in the United States and the ability to quickly introduce new services to a large number of subscribers.

  We hold licenses in three orbital slots (99° west longitude, or WL, 101° WL, and 103° WL) in the Ka-Band spectrum. The satellites that have been launched into these orbital slots have substantially increased our channel capacity, allowing us to provide one of the most extensive HD channel offerings currently available across the United States. In addition, we hold licenses to broadcast our services from 46 of 96 Ku-Band DBS frequencies spread over three orbital slots (101° WL, 110° WL and 119° WL). Finally, we hold licenses to broadcast our services from 36 Reverse Band frequencies in two orbital slots (99° WL and 103° WL). We expect to put these frequencies into service in 2015 providing us significant additional capacity for new services and/or to expand or backup existing services. The ability to maintain FCC licenses and other regulatory approvals, and to minimize potential interference from potential additional DBS "tweener" slots is critical to our business. See "Government Regulation-FCC Regulation Under the Communications Act and Related Acts" and "Risk Factors."

- ***Strong Balance Sheet.*** We believe our cash position and borrowing capacity combined with our current and expected future cash generation capability provides us with significant financial flexibility to improve stockholder value. We have repurchased approximately $31 billion of our common stock over the last nine years, retiring approximately 66% of our shares as of December 31, 2014, although our repurchase program has been suspended due to the pending transaction with AT&T.

Business Strategy

Our vision is to provide customers with the best video experience in the United States both inside and outside of the home by offering subscribers unique, differentiated and compelling programming through leadership in content, technology and customer service. Due to the rising cost of programming as well as higher costs to acquire new subscribers in an increasingly mature and competitive industry, it is even more important to distinguish and elevate the DIRECTV experience with a focus on delighting our new and existing customers. To fulfill our goals in a profitable and sustainable way we developed a strategy to (1) transform the customer service experience, (2) advance the entertainment experience both inside and outside of the home and (3) strike a balance between growth and profitability.

- ***Transform the Customer Service Experience.*** The greatest opportunity we have to create value is to delight and earn the enthusiastic loyalty of our approximately 20.4 million subscribers in the United States. We have implemented systems to measure and monitor our customer feedback regularly to continuously improve customer satisfaction. One way we do so is by measuring our Net Promoter Score, or NPS, which is a standard metric that surveys our customers' willingness to recommend DIRECTV to a friend or family member by sorting them into promoters, neutrals and detractors. Our goal is to make the customer experience a hallmark of the DIRECTV brand, drive higher loyalty levels and meaningfully differentiate DIRECTV from competitors. Our strategy involves (1) improving service quality and workforce engagement, (2) increasing our investment in existing customers, (3) simplifying customer facing policies and processes and (4) strengthening our bundled offers and capabilities.

    - *Improving Service Quality and Workforce Engagement.* We believe it is strategically important to have a system for identifying and implementing improvements in products, policies and procedures. At our cross-functional learning lab we have a dedicated team focused on generating and testing ideas that could create more satisfaction for our customers through all service interactions including the initial sale and installation as well as any subsequent communications, service or upgrade transactions. We are testing and refining solutions that heighten the focus on resolving problems for customers the first time they contact us, minimizing hand-offs, valuing the customer's time and providing in-home education on our products and services. In addition, we're improving customer interactions through behavioral-based customer experience training as well as implementing a lean-based continuous improvement system across our frontline sales, customer care and field services teams. In 2015, we will continue to empower our front line employees to identify new ways to improve customers' satisfaction while simultaneously improving productivity by reducing service calls.

    - *Increase Our Investment in Existing Customers.* Investing in our valuable customers is strategically important to improve loyalty and reduce customer churn. Therefore, in the middle of 2013 we launched a transparent upgrade program which provides additional value to enrolled customers, including the ability to receive upgrades to our latest product features and functionality every two years. We also believe it is critical to re-affirm our appreciation for our most tenured loyalists. For example, in 2014 we instituted a customer-friendly, invite-based referral program, that in addition to making it much easier to refer a friend, also provided an easy way for existing customers to track all of their referrals and related credits. This new program reduced follow on calls from referring customers by 75%. In addition, transitioning our investment away from providing new customers with the best deals to thoughtful economic investments in our existing subscriber base is expected to yield even higher levels of customer satisfaction and financial returns.

- *Simplify Customer Facing Policies and Processes.* By simplifying key customer journeys (e.g., onboarding, problem resolution, movers), we not only improve the customer experience but also improve productivity by reducing customer contact rates and simultaneously eliminating complexity for our frontline workforce. For example, in 2014, we launched a simplified bill that was easier to understand and better communicated the amount due, the payment due date as well as the reason for any changes to the bill. This resulted in a 15% reduction in phone calls from existing customers who transitioned to this new bill. We plan to further simplify key customer interactions and expand self-service capabilities to continue to make it easier and more intuitive for customers to manage their accounts and better understand and enjoy features of the DIRECTV service. We expect these solutions to increase customer satisfaction, as well as reduce customer call volumes to our call centers.

- *Strengthen Our Bundled Offers and Capabilities.* Bundled video, telephone and broadband services continue to grow in popularity as consumers look for ways to reduce costs in a challenging economy. To better serve the segment of consumers who are attracted to the convenience and value of bundle offerings, we have agreements in place with most of the major telco companies nationwide to offer digital subscriber line, or DSL, and fiber bundles which include the DIRECTV service. We believe it is important that we continue to work closely with broadband providers in 2015 to further streamline the bundle process, offer broadband services with higher speeds and improve joint marketing efforts so that a greater percentage of our customers can enjoy the benefits of a bundle. For example in 2014, we streamlined the sales process and focused on improving system performance for customers who signed up for bundled service. These and other improvements drove a 28-point improvement in our bundled sales NPS scores during the year.

- ***Advance the Entertainment Experience Both Inside and Outside of the Home.*** We believe it is critical that we continue to extend our brand leadership as the premium pay-TV provider in the marketplace by providing the best and most compelling video experience both inside and outside of the home. Therefore, we've created a flexible platform that leverages our hybrid satellite and cloud infrastructure with a broadband connection. We believe that our hybrid solution is the most efficient way to transport content to subscribers when and where they want it; through this integrated approach, we're able to intelligently optimize the use of storage in the home as well as in the cloud, while also providing a seamless service for consumers across screens and locations. To fulfill our goals, we have developed a robust product roadmap that leverages this infrastructure to advance the entertainment experience by (1) connecting customer HD-DVRs to the Internet, (2) expanding DIRECTV Everywhere capabilities and content offerings and (3) delivering a seamless best-in-class user interface that unifies search and discovery across multiple screens.

  - *Connect Customer HD-DVRs to the Internet.* Connecting our customers' receivers to broadband service is strategically important because it greatly enhances the video experience by complementing our high quality Live TV and DVR offerings and also increases our revenues and profits. For example, a connected receiver provides our customers with the ability to (1) access over 12,000 additional movies and TV shows available on the set-top box via our library of free and paid on-demand content—including over 100 on-demand networks which we expect will increase to about 140 in 2015, (2) restart shows already in progress and "rewind" and watch shows that customers may have missed in the last 72 hours, (3) watch non-traditional video including the ability to search and watch web-based videos on YouTube® and (4) engage interactive "TV Apps" that provide real-time information such as sports scores, standings and statistics; NFL Fantasy League integration; local traffic or weather reports; as well as a connection that enables customers to use the Pandora® audio service and interact with friends on their Twitter® or Facebook® account via their television or portable devices. Approximately half of our HD-DVR customers currently have their set-top box connected to the Internet. In the future we expect to introduce a standard HD box (non-DVR)

which can connect to the Internet so that many of the above features are available to these customers without DVR functionality.

- *Expand DIRECTV Everywhere capabilities.* We believe that providing an ubiquitous content experience across devices and locations is strategically important because it augments our customers' video experience while also meeting their desire to view quality content when and where they want it most. In addition to the live and on demand content available on the set-top box discussed above, DIRECTV Everywhere offerings include in-home streaming of over 100 live channels, which we expect to increase to approximately 150 by the end of 2015, and streaming of approximately 50 live channels outside of the home, which we expect to increase to approximately 135 by year end 2015. DIRECTV Everywhere also offers access to over 21,000 VOD movie and television programs via the Internet and access to over 100 networks' content online by authenticating they get pay TV service from DIRECTV. These offerings include HBO GO®, MAX GO®, Showtime Anytime®, Starz Play® and Encore Play™ as well as many others. We expect the number of authenticated networks accessible by DIRECTV customers to increase to approximately 150 by year end 2015. GenieGo® device enables subscribers with an HD-DVR and broadband connection to download and watch recorded shows on up to five different devices as well as remotely stream recorded content to an Internet enabled device over any Wi-Fi network. And, our first Over The Top, or OTT, service—Yaveo™ , a Spanish language service that includes 3 live channels as well as approximately 3,000 hours of on-demand content, expands our potential customer base as it is delivered over the Internet with no need for the customer to install a dish antenna or set-top box. Our NFL SUNDAY TICKET package in an OTT format, including via devices such as the XBox One® and the PlayStation®, gives customers who cannot receive DIRECTV service, another way to access our most popular sports package. Finally, DIRECTV Everywhere capabilities, include a global viewing history, which allows our customers to start watching a show on one device, and pick it up on another device, right where they left off, including on the television. In the future, we plan to leverage our DIRECTV Everywhere platform to offer new viewing experiences, such additional OTT services and Subscription Video On Demand, or SVOD, service offerings.

- *Deliver a Seamless Best-in-Class User Interface that Unifies Search and Discovery Across Multiple Screens.* Providing our customers with a consistent user experience as they access their video content on any device inside or outside the home is strategically important to drive deeper customer engagement and satisfaction. Therefore over the last two years, we have (1) extended our HD User Interface, or UI, beyond the big screen to integrate the same crisp, easy-to-read HD UI format to other devices, moving away from a text based grid-guide experience to a show or movie "image" / "poster art" based experience, (2) launched a "Genie Recommends" menu page on the set-top box to help our customers discover content similar to what they already watch and enjoy, an experience we are expanding to include on other mobile devices and computers, (3) introduced episode and season information for television shows, so our customers know what seasons and episodes are available live, on demand or pre-recorded on their DVR, (4) developed an industry leading Smart Search capability across applications for the set-top box, mobile devices and tablets and (5) enabled the use of tablets and smartphones as a remote control for the big screen, enabled contextual search and allowed customers to search for content or change channels by using voice commands through their smart phone. We are also investing in core technologies that will leverage universal profile sub-accounts within a household to provide more intuitive recommendations as well as enhance personalization across devices for each user in the home. In addition, we will leverage the cloud with our user interface to improve our insight into consumer behavior, support faster searches across a growing on-demand content library and increase our ability to further enhance our product and services offerings.

- ***Strike a Balance Between Growth and Profitability.*** Maintaining a strong financial foundation is vital to achieving our plans for profitable growth. To fulfill our strategic objectives, we believe we must balance top line sales and bottom line profitability. Our strategy involves (1) growing revenue streams, (2) optimizing of acquisition and retention spending and (3) enhancing productivity and cost containment.

    - *Grow Revenue Streams.* Due to the rising cost of programming in the maturing pay television marketplace, driving top line sales has become increasingly critical to maintaining strong profit margins. In order to achieve this objective we must grow revenues through (1) responsible pricing and (2) maximizing ancillary and non-residential revenue opportunities.

        - *Responsible Pricing.* We believe our ability to generate the industry's highest average revenue per unit, or ARPU, demonstrates the value our best-in-class video experience delivers to our customers. It is imperative that we maintain appropriate price increases on our differentiated service offerings, while simultaneously expanding the value proposition by advancing the customer service and entertainment experiences. It is also critical that we remain disciplined in the management of subscriber credits and promotions. In the future, we expect to further refine our pricing and packaging strategy to better fit the needs of our more value conscious consumers. For example, in 2014 we reintroduced a lower cost programming Select™ package. We also reduced the price on our advanced receiver fee, eliminating a 24-month $10 credit customers were previously provided and reducing the number of price changes our customers experience in the first two years of service. In addition, we began charging a lease fee on the first set-top box a customer leases. We believe these actions will reduce customer credits, improve the customer experience and increase profitability over the coming years.

        - *Maximize Ancillary and Non-Residential Revenues.* We believe we have an opportunity to drive top-line growth through ancillary and non-residential revenue opportunities, including DIRECTV CINEMA, addressable and local advertising, the commercial market, home security, subscription video on demand, and an OTT platform. In 2014, we continued generating incremental VOD revenues by "pushing" top-rated movies, including many available on the same day of the DVD release, onto customers DVRs for instant viewing, by expanding the video library of our enhanced movie service called DIRECTV CINEMA to over 12,000 titles and by connecting an additional 1 million customers to the Internet so that they could access this larger library. We are also looking to significantly increase our advertising revenues over the coming years through addressable advertising which is a new technology that provides us the capability to download ads onto individual DVRs enabling advertisers to target individual customer homes within a local region as well as those homes that meet specific criteria that would be considered optimal for placement of an advertising campaign spot. In addition, we believe commercial establishments represent another incremental revenue opportunity for DIRECTV. For example, although historically we have competed effectively in the higher-end hotel market, we have recently developed a new lower cost solution that will enable us to mass distribute HD channels to hundreds of hotel rooms as well as our own DIRECTV Residential Experience technology that is compatible with the loop through wiring that exists in approximately 60% of the hotels in the nation. These actions along with strategic partnerships we currently have in place should present us with further opportunities for growth. In addition, we expect to introduce new features, applications and package enhancements that will provide an integrated residential television experience for our hotel customers to offer to their patrons. We also currently have low market share in the private businesses and smaller bars and restaurants segments and we intend to grow our share in these markets by developing an integrated bundling solution, as well as from improved management, targeting, customer service, billing, pricing and packaging. In addition, based on low market penetration rates, we believe

home security represents another growth opportunity for DIRECTV. By leveraging our brand, national footprint, sales and marketing expertise we expect to significantly increase our home security revenues over the coming years. In the future, we also expect to leverage our hybrid satellite and cloud infrastructure to extend the DIRECTV viewing experience with new services, such as subscription VOD, or SVOD, Electronic Sell Through, or EST, and OTT product offers. These compelling viewing experiences are expected to present us with further opportunities for growth.

- *Optimize Acquisition and Retention Spending.* Although we continue to invest in new subscribers with a disciplined focus on driving value through quality, attaining strong financial returns on new subscribers has been increasingly difficult in this maturing industry where programmers are seeking even higher rates for their content. Therefore, we have rebalanced our investments between new customers and our upgrade offers. Over the last few years, we have increased our credit requirements for new customers, reducing our acquisition costs and repurposed those savings to upgrade offers to tenured and high-value existing subscribers, which yield stronger returns. Our revised upgrade policy is expected to improve customer satisfaction, keep churn at what we believe are industry low levels and increase profitability by driving greater penetration of advanced services such as DIRECTV Genie and the Connected Home.

- *Enhance Productivity and Manage Costs.* Improving our productivity is a critical element to achieve our goal to maintain strong margins particularly given rising programming costs and the competitive nature of our industry. In particular, we plan to focus our efforts on (1) effectively managing our programming costs and (2) capturing enterprise-wide productivity improvements.

  - *Effectively Manage Programming Cost Growth.* Programming costs are DIRECTV's largest expense and we must manage these costs as effectively as possible particularly considering that we expect programming costs to grow at a faster rate than ARPU primarily due to higher retransmission fees for the carriage of local channels and higher sports programming costs. In addition, due to competitive pressures, there is a risk that we will be unable to pass such increases through to our subscribers. Therefore, we must minimize these cost increases by leveraging our size, growth and attractive subscriber demographics to attain competitive terms and conditions. We must also work to closely align a channel's value with the costs we pay and obtain rights for value-added video services, such as mobile and streaming rights, in our negotiations. Another way we expect to reduce the rate of cost growth is by packaging channels to better align the programming that our customers want to watch with what they are willing to pay for and by securing greater flexibility regarding tiering and packaging of content and/or channels. In addition, we may discontinue carrying less popular channels if we are unable to negotiate appropriate pricing and other terms and conditions.

  - *Capture Enterprise-Wide Productivity Improvements.* Our objective is to deliver the best video experience at the lowest possible cost. Our goal is to manage our costs and make strategic investments that will deliver future benefits, preserve a sustainable cost structure and drive efficiency. In particular, we are looking to capture productivity improvements which will not only reduce costs, but also improve call center performance, field operations (such as installations and repairs), retention and customer satisfaction. We will strive to get it "right the first time" especially during the critical first 90 days of a customer's life cycle with improved work order accuracy and installation. Our strategy also includes improving the reliability of our set-top receivers and increasing the effectiveness of our customers' self-care options to reduce call volumes and unnecessary truck rolls. Our recent efforts in these areas have reduced the number of service visits by approximately 300,000 per year and annual phone calls to our care centers by over 12 million. We are also utilizing technology to optimize our technicians' installation and service routes to help our front-line be more effective and efficient. In addition, we are

improving our back office systems, to allow our technicians more flexibility in responding to customer needs, changes and issues while the technician is on-site in the customer's home. We are also investing in technology called Active Decisioning, which increases the information available to our agents and helps them more effectively and quickly manage our customers' needs.

Infrastructure

Satellites. We currently have a fleet of twelve geosynchronous satellites, including eleven owned satellites and one leased satellite. We have six Ku-Band satellites at the following orbital locations: 101° WL (three), 110° WL (one), 119° WL (one), 95° WL (one-leased). We also have six Ka-Band satellites at our 99° WL (three) and 103° WL (three) orbital locations.

We have contracted for the construction and launch of one new satellite, D15, which we expect to launch in the first half of 2015. D15 is expected to provide additional HD, replacement and backup capacity.

Satellite Risk Management. We may purchase in-orbit and launch insurance to mitigate the potential financial impact of in-orbit and satellite launch failures unless the premium costs are considered to be uneconomical relative to the risk of satellite failure. The insurance generally covers a portion of the unamortized book value of covered satellites. We do not insure against lost revenues in the event of a total or partial loss of the capacity of a satellite. We generally rely on in-orbit spare satellites and excess transponder capacity at key orbital slots to mitigate the impact a satellite failure could have on our ability to provide service. However, programming continuity cannot be assured in all instances or in the event of multiple satellite losses. Launch insurance typically covers the time frame from ignition of the launch vehicle through separation of the satellite from the launch vehicle. In the past, we have launched satellites without insurance. As of December 31, 2014, the net book value of DIRECTV U.S.' in-orbit satellites was $1,000 million, all of which was uninsured.

Digital Broadcast Centers. To gather programming content, ensure its digital quality, and transmit content to our satellites, we have two digital broadcast centers, located in Castle Rock, Colorado and Los Angeles, California and six uplink facilities. These broadcast centers and uplink facilities provide our national and local standard-definition and HD programming to our customers. We receive programming at the broadcast centers and uplink facilities from content providers via satellite, our back haul fiber optic network, special tape or secured Internet delivery. After receipt, most programming is then digitized, encoded and transmitted to our satellites and selectively staged with multiple content delivery networks for Internet delivery. We designed each broadcast center and uplink facility, our back haul fiber optic network, and content delivery infrastructure with redundant systems to minimize service interruptions; however, programming continuity cannot be assured in all instances or in the event of a catastrophic event at either broadcast center.

Installation Network. The DIRECTV Home Service Provider, or HSP, network performs customer installation, upgrade, and service call work for us. We now directly employ over 4,500 technicians. We also utilize an additional 10,000 technicians from four major outsourced companies who have assigned territories and a number of smaller contractors around the United States. The combined workforce completed approximately 90% of all in-home visits in 2014. We set quality standards for all installation, upgrade, and service work, perform quality control procedures against those standards, manage network inventory levels, and monitor overall network performance for nearly all of the installation and service network.

Customer Service Centers. As of December 31, 2014, we utilized 52 customer service centers employing almost 19,000 customer service representatives. Most of these customer service centers are operated by Convergys Customer Management Group, Inc., Alorica, Inc., Sitel Operating Corporation, N.E.W. Customer Service Companies, Inc., VXI Global Solutions, Inc. and Teleperformance. We currently own and operate six customer service centers located in: Boise, Idaho; Tulsa, Oklahoma; Huntsville, Alabama; Missoula, Montana; Huntington, West Virginia; and Denver, Colorado that employ approximately 4,100 customer service representatives. Potential

and existing subscribers can call a single telephone number 24 hours a day, seven days a week, to request assistance for hardware, programming, installation, technical and other support. We continue to increase the functionality of telephone-based and web-based self-care features in order to better manage customer service costs and improve service levels.

Competition

We face substantial competition in the MVPD industry and from emerging digital media distribution providers. Our competition includes companies that offer video, audio, interactive programming, telephony, data and other entertainment services, such as cable television, other DTH companies, telcos, wireless companies and companies that are developing new technologies, including online video distributors. Many of our competitors have access to substantially greater financial and marketing resources. We believe our brand, the quality and variety of video, audio and interactive programming, quality of picture, access to service, availability of HD and DVR services, customer service and price are the key elements for attaining and retaining subscribers. Our approximately 20.4 million subscribers represent approximately 20% of MVPD subscribers at December 31, 2014.

- *Cable Television.* We encounter substantial competition in the MVPD industry from cable television companies. According to the National Cable & Telecommunications Association, 131.2 million U.S. housing units are passed by cable, representing 99% of total U.S. homes. Most cable television operators have a large, established customer base, and some have significant investments in companies that provide programming content. Approximately 100 million households subscribe to an MVPD service and approximately 53% of MVPD subscribers receive their programming from a cable operator. In addition, most cable providers have completed network upgrades that allow for enhanced service offerings such as digital cable, HD channels, broadband Internet access, telephony services and home security. Cable companies bundle these services, offering discounts and providing one bill to the consumer. Consumers increasingly want integrated bundles of video and broadband, which we cannot provide on our own. We do offer "synthetic" bundles through commercial relationships with various providers in which we offer video and broadband is provided by our another company. It is challenging for DIRECTV to meet this consumer need through these synthetic bundles, as these are intrinsically less advantageous than a true bundle and lack the level of discounted pricing and single bill and truck roll that consumers prefer.

- *Telephone Companies.* Several telcos have upgraded a significant portion of their infrastructure by replacing their older, copper wire telephone lines with high-speed fiber optic lines. These fiber lines provide the telcos with significantly greater capacity enabling them to offer new and enhanced services, such as broadband Internet access at much greater speeds and digital-quality video. For example, Verizon announced that at the end of 2014, it had the capability to serve approximately 18.6 million homes. In addition, as of year-end 2014, AT&T had deployed fiber optic lines with the capability to serve approximately 30 million homes. In 2009, CenturyLink introduced an Internet Protocol Television, or IPTV, service, which has since been rebranded as PRISM. As of year-end 2014, Verizon had approximately 5.6 million video subscribers, AT&T had approximately 5.3 million video subscribers, and PRISM had approximately 229,000 video subscribers, collectively representing approximately 13% of MVPD subscribers. Similar to the cable companies, the telcos offer their customers a bundle of multiple services at a discount on one bill.

- *Other Direct Broadcast Satellite and Direct-To-Home Satellite System Operators.* We also compete with DISH Network Corporation, or DISH, which had approximately 14 million subscribers as of September 30, 2014, representing approximately 14% of MVPD subscribers. On April 26, 2011, DISH Network acquired certain assets of Blockbuster. Currently, DISH uses the Blockbuster On Demand® service to offer video content through streaming services via the Internet. On September 27, 2012, DISH launched a high-speed satellite Internet service called dishNET™. In addition to marketing and selling dishNET services on a stand-alone basis, they bundle dishNET services with their DISH branded pay-TV service to

offer customers a single bill, payment and customer service option, which includes a bundle discount. DISH is currently pursuing wireless opportunities and has announced plans on a trial basis to jointly develop and deploy a fixed wireless broadband service in certain markets with both Telos and Sprint. Other domestic and foreign satellite operators also have proposed to offer DTH satellite service to U.S. customers using U.S.-licensed satellite frequencies or foreign-licensed frequencies that have the ability of covering the United States.

- *Video via the Internet.* With the large increase in the number of consumers with broadband service, a significant amount of video content has become available on the Internet for users to download and view on their personal computers, televisions and other devices. For example, Apple offers thousands of television shows and movies for rental, some in high-definition, on the online iTunes® Store and with their iCloud® service. All of a user's content could be shared wirelessly across Apple devices. In addition, Hulu® is an online video distributor which provides free movies and TV shows from content providers including FOX, NBC Universal, ABC, Lionsgate, MGM, Univision, National Geographic, Paramount, A&E Television Networks, Sony Pictures and Warner Bros. This content can be accessed on demand through its website and those of its partners: AOL, IMDb, MSN, Yahoo! and TV Guide. Hulu also provides a monthly streaming subscription service to more than 6 million paying Hulu Plus subscribers that offers current and past season shows from ABC, Comedy Central, The CW, FOX, NBC, MTV and Univision. In addition, Netflix and Amazon through Amazon Prime®, offer SVOD services for a flat monthly fee. For example, Netflix has a library of thousands of movies and TV shows available for streaming to its over 57 million subscribers across 50 countries, and now offers some 4K content. Additionally, several companies, such as Vudu, Google through Google Play and Amazon through Amazon Instant Video sell or rent movies or other shows via Internet download or streaming media. There are also several similar initiatives by companies such as Verizon, Microsoft and Sony to make it easier to view Internet-based video on television and personal computer screens. Many television models, Blu-Ray Disc® players and gaming consoles like Nintendo's Wii®, Sony's PS4®, and Microsoft's Xbox One® can be directly connected to the Internet and have the capacity to stream video to a television. Several television programmers have launched or announced launch plans for subscription broadband video products. CBS All Access launched in October 2014 and offers video on demand and live streaming of current programming and thousands of episodes of library content. In October 2014, HBO announced plans to launch a stand-alone streaming, service in 2015 that will not require an MVPD subscription. Other channels are expected to follow CBS and HBO; Services such as these undermine our and other MVPD's status as the exclusive location for current content. In January 2015, DISH announced the imminent launch of Sling TV, a live OTT Personal Streaming Service delivered over the Internet that includes streaming access to 12 live TV channels, video on demand and videos from Maker Studios. Sling TV is a no contract offering with a minimum price of $20 that includes ESPN and could attract subscribers as consumers look for both lower cost and no commitment options. Sling TV also offers several "tiers" of programming for an additional fee, such as kids programming and sports, and we expect they will add more content in the future.

- *Mobile Video.* Many companies are also offering mobile video applications due to consumers' increasing desire to view content outside of the home. For example, AT&T offers AT&T Mobile TV™ which provides users the ability to watch full-length TV shows from ABC, CBS, Disney, ESPN, Fox, MTV and other programmers on their cell phones. Verizon offers FiOS On Demand, which provides FiOS customers access to download and stream OnDemand and rented VOD titles for viewing inside and outside of the home. In addition, Verizon Wireless offers the NFL Mobile from Verizon App which offers live streaming of national Thursday, Sunday and Monday night games as well as Sunday afternoon games in local markets. Comcast offers the XFINITY™ TV Go Application which also allows customers to download and stream OnDemand video content to laptops, tablets and mobile devices and the XFINITY TV application for X1 customers which allows subscribers to stream shows from their DVR to tablets, smartphones and computers and to download them for offline viewing. All major cable and satellite

distributors are also focused on distributing their content to their customers' mobile devices in and out of home. For example, DISH, Time Warner Cable, Cablevision and Comcast allow streaming of live linear TV outside the home via mobile and tablet applications. Other mobile applications and services are also becoming available.

- *Small and Rural Telephone Companies and Google Fiber.* Other telephone companies are also finding ways to deliver video programming services over their wireline facilities or in a bundle with other MVPD providers. For example, DISH Network has agreements with Embarq, Windstream, TDS, Frontier, and ViaSat to bundle their individual DSL or satellite broadband (in the case of ViaSat), and telephony services with DISH Network's video service. Google has also deployed its own fiber network in the Kansas City metro area, Provo, Utah as well as Austin, Texas and offers the highest broadband speeds in the country, bundled with multichannel video service.

- *Local Broadcasters.* Most areas of the United States can receive traditional terrestrial television broadcasts of numerous broadcast channels, with more stations available in larger markets. These include full-power broadcasters transmitting digital signals as well as low-power broadcasters transmitting in analog. Broadcasters provide local, network and syndicated programming. Viewers can receive this programming free of charge using off-air antennas, although broadcast signals typically cannot reach the entire local market to which the broadcaster is assigned. Full-power broadcasters transmitting in digital can offer both programming in high-definition and multiple programming services per channel.

DIRECTV LATIN AMERICA

DIRECTV Latin America is a leading provider of digital television services throughout Latin America. DIRECTV Latin America provides a wide selection of local and international digital-quality video entertainment and audio programming under the DIRECTV and SKY brands to approximately 6.8 million subscribers in PanAmericana and approximately 5.6 million subscribers in Brazil. Including Sky Mexico, DIRECTV and SKY provide service to over 19 million subscribers throughout the region.

We own 100% of PanAmericana, which provides services in Argentina, Chile, Colombia, Ecuador, Peru, Puerto Rico, Venezuela and certain other countries in the region, 93% of Sky Brasil, which operates in Brazil, and 41% of Sky Mexico, which operates in Mexico, the Dominican Republic and certain countries in Central America. Globo Comunicações e Participações S.A., or Globo, owns the other 7% of Sky Brasil and Grupo Televisa, S.A., or Televisa, owns the other 59% of Sky Mexico. The results of PanAmericana and Sky Brasil are consolidated in our results, and we account for our interest in Sky Mexico under the equity method of accounting.

We believe we provide one of the most extensive collections of programming available in the Latin America pay television market, including HD sports video content and the most innovative interactive technology across the region. In addition, we have the unique ability to sell superior offerings of our differentiated products and services on a continent-wide basis with an operational cost structure that we believe to be lower than that of our competition. As of December 31, 2014, we provided service to 26% of pay television households in PanAmericana, 30% of pay television households in Brazil and 39% of pay television households in Mexico.

To subscribe to the DIRECTV or SKY service, customers sign up for our video service directly through us or our regional retailers, or independent satellite television retailers or dealers. We tailor our offers and products to profitably provide our service to various customer segments across the region that have the need and desire for our brand and service. We offer post-paid products and services to customers who meet our standard requirements. For these customers, dealers or one of our home service providers install the receiving equipment. In addition, we offer pre-paid service for customers that desire payment and commitment flexibility. These customers may purchase a standard-definition receiver and antenna and pre-pay their DIRECTV service through one or more means, such as the purchase of a rechargeable card that they can acquire at a retailer or local kiosk. The video service will automatically disconnect once the balance of the customer's pre-payment expires.

DIRECTV

In addition to traditional pay-television services, in Latin America we continue to focus on selectively pursuing opportunities to acquire spectrum and, where we have acquired spectrum, to build out a technologically robust and profitable fixed wireless broadband service in areas where we have an existing subscriber base and there are weak competitive wireline offerings or access to broadband is limited. We currently have spectrum holdings that cover approximately 50 million households across Argentina, Brazil, Colombia, Venezuela and Peru.

Key Strengths

- ***Large Subscriber Base and Pan-Regional Scale of Service.*** On a regional basis, we are a leading provider of pay television services in Latin America. We believe that our large subscriber base and scale provides us with the opportunity to obtain programming on favorable terms and secure unique content and features. We also believe that our relationship with DIRECTV U.S. contributes to achieving economies of scale in areas such as equipment and technology purchasing, customer service, broadcast operations, and general and administrative costs.

- ***Leading Brands.*** DIRECTV and SKY brands in Latin America are positioned as the leader in digital video entertainment, offering the best quality content, technology and customer service available. We believe the strength of our brands is an important factor in our ability to attract and retain subscribers, as well as sell additional services such as our new broadband offering in markets such as Brazil, Columbia and Argentina. Our recognized brand name also enhances our ability to secure strategic alliances with programmers and distributors.

- ***Relationship with DIRECTV U.S.*** We believe that our ability to leverage the advanced technologies and best practices developed and followed by DIRECTV U.S. enables us to take advantage of its economies of scale, intellectual property and financial flexibility. Our platforms have set-top receiver specifications and middleware technologies that are aligned with DIRECTV U.S., which allows for the launch of new technologies, innovative features and services in advance of our competitors in the region and at a lower cost. For example, the new Genie HD-DVR, which was first offered in the U.S. in mid-2013, recently was launched by Sky Mexico and is expected to be launched in several other countries in the future.

- ***High-Quality Digital Picture and Sound.*** Our video and audio programming is 100% digitally delivered, providing subscribers with digital-quality video and audio, as well as interactive features and functionality. We believe this compares favorably with many cable providers in Latin America, which typically continue to broadcast to a large percentage of their subscribers in analog format.

- ***Unique and Differentiated Content.*** As a result of our greater scale, we believe we are able to offer unique and compelling content to subscribers. For example, during 2014 we delivered the most extensive coverage of the 2014 FIFA World Cup™ in PanAmericana by offering multiple live and simulcast feeds in HD and providing coverage of more than 800 hours of original content. In addition, over 1.6 million people downloaded our FIFA World Cup app, making Panamericana a worldwide leader in this respect. Also, we continue to provide the most extensive coverage of European football, including La Liga in Brazil and PanAmericana as well as the Barclays Premier League in PanAmericana and Mexico and DIRECTV Sports, our own sports channel.

- ***Sales and Marketing.*** We sell DIRECTV and SKY through a number of distribution channels, including direct sales, online, regional sales providers and local sales providers. We believe this variety of distribution alternatives coupled with segmented marketing programs, have enabled us to continue to grow our subscriber base by extending our leadership with advanced products as well as by continuing to penetrate the middle market segment with tailored package offerings.

- ***Strong Customer Satisfaction.*** Similar to prior years, we continue to attain top rankings in customer satisfaction studies for the pay television industry across the region. For example in 2014, the Brazilian equivalent to J.D. Power, Consumidor Moderno, awarded SKY "Best Service Company of the Year" for the 13th year in a row. SKY won these accolades by both the popular vote and technical criteria. Also in

Brazil, in 2013 the magazine Datafolha awarded SKY the "Highest Brand Awareness in Pay-TV Services." For the fourth consecutive year, DIRECTV was recognized in Chile with the "Calidad del Servicio ProCalidad 2014" award in the pay-TV category. In Venezuela, DIRECTV was awarded the "Best Pay-TV Company" and DIRECTV Sports received the accolade for the "Best TV Channel in Pay-TV" by the renowned regional marketing magazine P&M. In addition, our regional call center operation in Colombia received three awards from Alianza Latinoamericana de Organizaciones para la Interaccion con los Clientes, or ALOIC, for "One of the Best Organizations Interacting with Clients," "Best Social Responsibility Administration" and "Best HR Administration." We believe that providing high-quality customer service is an important element in minimizing churn and attracting new subscribers. In addition, our ability to implement best practices in customer service from across the region, and from DIRECTV U.S., allows us to adapt quickly and efficiently to changes that we face.

Business Strategy

Our vision is to provide customers across Latin America with the best video experience by leveraging DIRECTV Latin America's key strengths while continuing to distinguish our service from our competitors by offering subscribers unique, differentiated and compelling programming through leadership in content, technology, customer service and targeted marketing strategies. Our strategy involves (1) profitably expanding our technological and brand leadership position across all demographic segments, (2) enhancing productivity and effectively managing costs, (3) driving scale and improving margins in core PanAmericana countries and (4) proactively responding and adapting in countries with significant macroeconomic challenges.

- ***Profitably Expand Leadership Position Across All Demographic Segments.*** To achieve our goals, we believe we have to profitably expand our leadership position in several key areas including (1) higher end markets with a particular focus on DVR and HD excellence and (2) leveraging scale to profitably serve the middle market segment while expanding penetration.

    - *Strengthen Our Position in HD.* We believe that continuing to expand our HD offerings along with our segmented HD product and services provides us with a significant competitive advantage across market segments that are expected to experience continued growth. As of December 31, 2014, Sky Brasil offered its customers up to 67 HD channels and PanAmericana offered its customers on average 19 HD channels. In 2014, we experienced a nearly 30% increase in the number of total subscribers with HD service in Latin America, led by Brazil where nearly 40% of customers had HD equipment at the end of 2014. ISDLA-1, a new satellite supporting PanAmericana, is expected to go into operation in 2015 and will significantly increase capacity for new HD channels. Additional satellites (ISDLA-2 for PanAmericana and SKY-1 for SKY Brazil) are expected to launch in 2015 and 2016 and will also provide additional capacity for HD offerings as well as in-orbit redundancy.

    - *Increase DVR Penetration.* We believe that consumers at the higher end of the market are looking for more features and functionality in their TV viewing, particularly in terms of place and time shifting. Leveraging the scale and product development roadmap at DIRECTV U.S., we are able to offer high-quality DVRs that are more functional and less costly than those of our competitors to distinguish our service. For example, we have introduced a Whole Home DVR service which allows consumers to view and control content from one DVR to other rooms in the house with the appropriate equipment. We also have plans to extend our building block set top receiver architecture for the more value conscious consumer to retrieve content that was broadcast at a previous time. As of December 31, 2014, approximately 34% of our subscribers had advanced products.

    - *Profitably Increase Penetration in Middle Market Segment.* Based on lower pay television penetration rates (relative to the US and other more development markets) and favorable demographic trends in the region, we believe the growing middle market continues to represent a continued opportunity for growth. Our goal is to profitably provide our service to value-focused customers who have the need and desire for affordable access to our brands and service. Typically, these offers and products are

similar to our traditional options except they allow customers access to significantly fewer channels, mostly require a self-installation by the customer, and limit the number of set-top receivers customers may have in their homes. Our DIRECTV service in PanAmericana offers these products and services on a pre-paid basis to the mass market segment. In Brazil, we offer our SKY service to customers who meet our standard requirements on a pre-paid basis as well as on a traditional post-paid basis. Looking ahead at 2015 and beyond, we plan on continuing to serve the value-focused customers in Brazil and PanAmericana through targeted marketing and distribution strategies, as well as leveraging our relationship with DIRECTV U.S. to obtain lower cost set-top receivers.

- ***Enhance Productivity and Manage Costs.*** Improving productivity and identifying efficiencies are critical to our goal to maintain strong margins particularly given the rapid growth of our subscriber base and regional scale of our operations. In particular, we plan to focus our efforts on productivity initiatives aimed at improving overall customer service levels. For example, we expect to utilize technology to implement process improvements in our call centers and other areas, such as upgrading our billing systems and informational technology systems. In the last two years we have implemented new customer relationship management systems in PanAmericana and centralized our network management structure to ensure superior service levels across customer segments while simultaneously improving productivity. Also in PanAmericana in 2014, we expanded our call center troubleshooting capabilities, which resulted in an 8% reduction in technical phone calls per subscriber, as well as a nearly 30% reduction in the costs related to technical related customer service visits. Similarly in Brazil, we reduced technical assistance calls by 17% in 2014 and also completed the majority of the implementation of our new billing and customer relationship management system. We expect initiatives like these to enhance operations across the various countries and regions where we offer service under the DIRECTV and SKY brands.

- ***Leverage Brand and Customer Base to Introduce Complementary Services.*** To expand our leadership in particular markets we are pursuing growth opportunities that could increase our competitiveness in the chosen markets, optimize the profitability of our subscriber base, minimize churn and extend the value of our brand. Our current focus in following this strategy involves offering a fixed wireless broadband service.

  - *Offer Fixed Wireless Broadband.* Based on low fixed Internet household penetration rates and generally weak wireline coverage across the region, we believe the market opportunity for broadband growth in Latin America is significant. We also anticipate that connecting customers to our broadband service is strategically important because we expect it will minimize churn and attract new pay-TV subscribers. Therefore, we are focused on selectively pursuing opportunities to acquire spectrum and expand a technologically robust and profitable fixed wireless broadband service in areas where our existing subscriber base has limited competitive wireline offerings to choose from or access to broadband is limited. We currently have spectrum holdings that cover approximately 50 million households across Argentina, Brazil, Colombia, Venezuela and Peru. At the end of 2014, we had rolled out coverage to about 4.5M of these homes, mostly in Brazil, where, in the first year of service, we have added over 100,000 subscribers. We began rolling out service in Colombia during late 2014 and expect to begin service in Venezuela and Peru sometime in 2015. Our success-based deployment strategies include a fourth generation product offering with speeds of 2 to 4 Mbps, which is competitive for the marketplace, as well as using a combination of technologies to deploy broadband to clusters of apartment buildings. We believe fixed wireless service offers benefits to our core business through an increase in pay-TV sales, an improvement in customer satisfaction from bundled subscribers as well as lower monthly churn.

- ***Proactively respond and adapt in countries with significant macroeconomic challenges.*** Several Latin American countries in which we operate are dealing with unusually challenging macroeconomic conditions such as very high inflation, weakening currencies and restrictions on exchanging local currencies into dollars. These circumstances compel us to implement strategies to offset these negative external factors, which can influence the results of our business. For example, to manage extremely high inflation, we

attempt to increase prices in-line with those rates of inflation. This is not always possible as in some countries we sometimes have to get regulatory approvals to change prices. In addition, the timing of the price increases may not coincide with the timing of the underlying cost inflation of the business. We also must manage costs more aggressively in these countries to ensure we maintain our margins and relative profitability. Certain countries also restrict or limit our ability to repatriate profits back to the United States, as well as use local currency to pay for imported equipment such as new set-top boxes. In these instances, we limit our U.S. dollar investments in these countries to those assets, which have pan-regional benefits, such as satellites, broadcasting facilities or international soccer rights. In addition, we often co-locate regional functions such as call centers, broadcasting centers or information technology support in these countries in order to utilize these local currencies. In addition to other strategies, we also focus on maintaining market share, as we believe preserving our scale in relation to our competition provides us important benefits as described above.

Infrastructure

Satellites. We currently provide services in PanAmericana and Brazil from leased transponders on three geosynchronous satellites. Sky Mexico provides its services from leased transponders on a separate satellite. In addition, we lease a backup satellite that serves Sky Brasil and Sky Mexico.

We have contracted for the lease of one additional satellite for PanAmericana, ISDLA-2, which we expect to be launched in the fourth quarter of 2015. ISDLA-1, which launched in October 2014, has been placed into service and will become the primary satellite for PanAmericana with a substantial increase in channel capacity from the current satellite, and ISDLA-2 is expected to serve as an in-orbit spare for ISDLA-1.

We have contracted for the construction and launch of a new satellite for Sky Brasil, SKY-Brasil 1, which we expect to launch in the second quarter of 2016. Sky Mexico entered into contracts for the construction and launch of a new satellite for Sky Mexico, SKY-Mexico 1, which we expect to launch in the third quarter of 2015. This will be the first satellite owned by Sky Mexico. SKY-Brasil 1 and SKY-Mexico 1 are expected to provide additional channel and HD capacity for Sky Brasil and Sky Mexico, respectively.

Digital Broadcast Centers. Our principal digital broadcast centers are located in the United States, Argentina, Brazil and Venezuela. We also have several smaller satellite uplink facilities in the region.

Customer Service Centers. We typically have customer service centers in each of the countries where we operate. In addition, we operate two pan-regional centers located in Colombia that provide primary and backup customer service support to most of the PanAmericana region.

Competition

The pay television and other emerging broadband, video and data markets in Latin America are highly competitive. In each of our markets, we compete primarily with other providers of pay television, which distribute their programming by cable, satellite, terrestrial microwave systems, traditional over-the-air broadcasting and increasingly, the Internet. In addition, in certain markets we face significant competition from illegal pay television operations. We compete primarily on the basis of programming selection, price, technology and service.

In most of the markets in which we operate, cable television is our principal competitor. Cable operators typically compete with us principally by offering bundles of video, broadband and telephony services. In most cases, they discount the value of their programming services in order to sell broadband and telephony services. In addition, the cable operators with which we compete are in various stages of upgrading their networks in order to provide digital and HD channels, broadband and telephony services. Most of them have a significant percentage of the customers who still receive analog services, which are offered at a lower cost than the cable operators' digital video services.

In addition to competition from cable services, we face significant competition from other providers of DTH services. In most markets there are two to three DTH providers in addition to us. Telefonica, the Spanish telephone company, provides DTH services in Chile, Colombia, Peru and Venezuela through its brand Movistar and in Brazil through its brand Vivo. In Brazil, Telefonica has also agreed to purchase Global Village Telecom, or GVT, which offers a hybrid DTH-IPTV. American Movil provides DTH service branded Claro TV in Brazil, Chile, Colombia, Ecuador and Peru. Oi, the second fixed line incumbent in Brazil (in addition to Telefonica), has provided DTH service since 2009. These competitors have significant resources and have proven their ability to grow their businesses rapidly. They typically focus on offering lower-cost, limited services packages, often in support of their telephony and broadband offerings, which can increase our churn and put pressure on our margins. Also, the existence of multiple DTH operators in a single market dilutes our ability to market our DTH service as an alternative to cable, traditionally our principal competition.

In a number of markets, existing wireline telephony operators have announced their intention to upgrade their infrastructure in order to provide new and enhanced services, including IPTV video programming. However, to date only a very small number of such upgrades and build outs have been actively pursued on other than a test basis.

ACQUISITIONS, STRATEGIC ALLIANCES AND DIVESTITURES

We review our competitive position on an ongoing basis and, from time to time, consider various acquisitions, strategic alliances and divestitures, including potential wireless broadband investments or alliances, in order to continue to compete effectively, improve our financial results, grow our business and allocate our resources efficiently. We also consider periodically making equity investments in companies which we can jointly provide services to our subscribers. While the transaction with AT&T is pending, we are subject to certain restrictions on potential transactions of this type, unless approved by AT&T.

GOVERNMENT REGULATION

We are subject to government regulation in the United States, primarily by the FCC and by other federal, state and local authorities. We are subject to similar regulatory agencies in Latin America. We are also subject to the rules and procedures of the International Telecommunication Union, or ITU, a specialized agency of the United Nations, which coordinates global telecommunications networks and services.

The following is a summary of relevant regulatory issues and is not intended to describe all present and proposed government regulation and legislation affecting our business.

FCC Regulation Under the Communications Act and Related Acts. The Communications Act and other related acts give the FCC broad authority to regulate the operations of DIRECTV U.S.

FCC regulations govern, among other issues:

- the licensing of DBS and DTH satellites, earth stations and ancillary authorizations;
- the assignment of frequencies and orbital slots, the relocation of satellites to different orbital locations, the extension of licenses for existing satellites, and the replacement of an existing satellite with a new satellite;
- terms and conditions of assignments and authorizations, including required timetables for construction and operation of satellites; and
- avoidance of interference by and to DBS/DTH operations with operations of other entities that make use of the radio spectrum.

All of our satellites and earth stations are licensed by the FCC. The FCC generally issues DTH space station licenses for a fifteen-year term and DBS space station and earth station licenses for a ten-year term, which is less than the useful life of a healthy direct broadcast satellite. Upon expiration of the initial license term, the FCC has

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the option to extend a satellite operator's license, authorize operation for a period of time on special temporary authority, or decline to extend the license.

Currently, we have several applications pending before the FCC, including applications to launch and operate future satellites. In general, the FCC's approval of these applications is required for us to continue to expand our range of service offerings while increasing the robustness of our satellite fleet. We may not obtain these approvals in a timely fashion or at all.

As a DBS/DTH licensee and operator we are also subject to a variety of Communications Act requirements, FCC regulations and copyright laws that could materially affect our business. They include the following:

- ***Local-into-Local Service and Limitation on Retransmission of Distant Broadcast Television Signals.*** The Satellite Home Viewer Act, or SHVA, (which in this Annual Report includes its progeny legislation, the Satellite Home Viewer Improvement Act of 1999; the Satellite Home Viewer Extension and Reauthorization Act of 2004; the Satellite Television Extension and Localism Act of 2010; and the Satellite Television Extension and Localism Act Reauthorization of 2014) allows DIRECTV U.S. to retransmit the signals of local broadcast television stations in the stations' local markets without obtaining authorization from the holders of copyrights in the individual programs carried by those stations. Another portion of SHVA also permits satellite retransmission of distant network stations (e.g., those that originate outside of a satellite subscriber's local television market) only to "unserved households." A subscriber qualifies as an "unserved household" if he or she cannot receive, over the air, a signal of sufficient intensity from a local station affiliated with the same network, or falls into a few other limited exceptions. SHVA also prohibits DIRECTV U.S. from signing up a new subscriber to distant signals if that subscriber lives in a local market where DIRECTV U.S. makes available the same-network local signal. The FCC has required DIRECTV U.S. to delete certain programming, including sports programming, from the signals of certain distant stations. While the FCC is now considering modifying or eliminating what it calls its "sports blackout" rules, we do not believe such action would materially change the rules governing our provision of distant signals. In addition, the FCC's continuing interpretation, implementation and enforcement of other provisions of SHVA and judicial decisions could hamper the ability of DIRECTV U.S. to retransmit local and distant network and superstation signals, reduce the number of our existing or future subscribers that can qualify to receive these signals, impose compliance costs on us, or subject us to fines, monetary damages or injunctions. The distant signal provisions are currently set to expire in 2019. Congress may decline to renew those provisions, which could severely restrict our ability to retransmit distant signals.

- ***Must Carry Requirement.*** SHVA imposes a must carry obligation on DIRECTV U.S. This requires satellite carriers that choose to take advantage of the statutory copyright license in a local market to carry upon request the signals of all qualifying television broadcast stations within that local market, subject to limited exceptions. The FCC has adopted further detailed rules covering our carriage of both commercial and non-commercial broadcast television stations. These rules generally require us to carry all of the local broadcast stations properly requesting carriage in markets in which we retransmit the signals of local broadcast stations. The projected number of markets in which we can deliver local broadcast programming will continue to be constrained because of the must carry requirement and may be reduced depending on the FCC's interpretation of its rules and judicial decisions. Moreover, SHVA now contains a "market modification" procedure that will allow stations to petition to modify their local markets. Depending on the FCC's implementation of this requirement, we may not be able to carry all stations in their local markets, as modified, which could subject us to penalties or other negative regulatory consequences.

- ***Retransmission Consent.*** For those local television broadcast stations that do not elect must carry, SHVA also requires DIRECTV U.S. to obtain consent prior to retransmitting their signals to viewers. Television broadcast stations may withhold this consent (subject to a requirement to negotiate in good faith), and other provisions of copyright and communications law prevent DIRECTV from providing duplicate out-of-market programming in many instances. Thus, where consent is withheld, DIRECTV U.S.

subscribers may lose access to popular programming. Furthermore, the rates we are charged for retransmitting local channels have been increasing significantly. The FCC is currently considering changes to its rules governing retransmission consent disputes that are designed to provide more guidance to the negotiating parties on good-faith negotiation requirements and to improve notice to consumers in advance of possible service disruptions, and Congress has directed the FCC to commence a rulemaking on this subject this year. Beyond that, we cannot predict the timing or outcome of this FCC proceeding.

- ***Public Interest Requirement.*** The FCC has imposed certain public interest obligations on DBS operators, including a requirement that such providers set aside four percent of channel capacity exclusively for noncommercial programming of an educational or informational nature, for which we must charge programmers below-market rates and may not impose additional charges on subscribers. FCC rules also require DIRECTV U.S. to comply with a number of political broadcasting requirements and limits on the commercialization of children's programming. We believe that DIRECTV U.S. is in compliance with all of these requirements, but some require our interpretations, which we believe are reasonable and consistent with industry practice. However, the FCC may not agree.

- ***Emergency Alert System.*** The Emergency Alert System, or EAS, requires participants to interrupt programming during nationally declared emergencies and to pass through emergency information. The FCC has adopted rules that require satellite carriers to comply with this requirement. It may also mandate that satellite carriers interrupt programming for local emergencies and weather events. Any such requirement would be very difficult to implement, would require costly changes to our DBS/DTH system, and, depending on how it is implemented, could inconvenience or confuse our viewers. The FCC is also considering whether to require that EAS alerts be provided in multiple languages or via text messages, which could also prove difficult and costly.

- ***Spectrum Allocation and License Assignment Rules.*** We depend upon the FCC's allocation of DBS/DTH frequencies and assignment of DBS/DTH licenses. DBS frequencies and available DBS orbital locations capable of supporting our business have become increasingly scarce. While we continue to explore new sources of DBS/DTH capacity, there can be no assurance that we will obtain further capacity.

  In 2007, the FCC adopted new service and licensing rules for broadcasting satellite services in the 17.3-17.8 GHz and 24.75-25.25 GHz bands, or 17/24 GHz BSS. This spectrum, also known as the "reverse band" (in that transmissions from these satellites to consumers would occur in spectrum currently used for uplinking programming to traditional DBS satellites), could provide a new source of additional DTH capacity. DIRECTV currently holds authorizations for satellites in this band at two orbital locations, and recently launched its first satellite built under those authorizations. However, a foreign operator that may have international priority in some respects has recently brought into use a conflicting ITU network filing at one of the two orbital locations at which we are licensed. Depending upon the ultimate disposition of that filing and our ongoing efforts to coordinate spectrum use at the relevant orbital location, our use of one of these licenses may be limited or precluded entirely.

- ***Rules Governing Co-Existence With Other Satellite and Terrestrial Services and Service Providers in the MVPD Industry.*** The FCC has adopted rules to allow non-geostationary orbit fixed satellite services to operate on a co-primary basis in the same frequency band as the one used by direct broadcast satellite and Ku-Band-based fixed satellite services. In the same proceeding, the FCC concluded that multi-channel video and data distribution services, or MVDDS, can share spectrum with DBS operators on a non-interference basis, and adopted rules and a method for assigning licenses in that service. While the FCC has established service and technical rules to protect DBS operations from harmful interference, these rules may not be sufficient to prevent such interference, and such services may have a material adverse impact on our operations. In addition, one MVDDS operator has received a conditional waiver of the applicable rules so that it could operate its system in Albuquerque, New Mexico at substantially higher power levels, which may have a material adverse impact on our operations in that market.

In 2006, the FCC released a notice of proposed rulemaking regarding the possible operation of "tweener" or "short spaced" satellites that would operate in the same DBS uplink and downlink frequency bands as DIRECTV U.S., from orbital positions located in between those now assigned to the DBS service. Under rules that the FCC is considering, a provider could operate a satellite near an orbital location where we have already positioned one or more DIRECTV U.S. satellites without completing coordination of its operations and without demonstrating that such operations would not "affect" the DIRECTV service. We have opposed this proposal, and believe that tweener satellites as proposed by applicants would cause interference to current and planned operations and impose a significant constraint on the further growth of our DIRECTV U.S. service. We cannot predict what if any action the FCC may take or the effect of such a proceeding on our business.

The FCC has also adopted rules that require satellite operators to take certain measures to mitigate the dangers of collision and orbital debris. Among other things, these rules impose certain requirements for satellite design and end-of-life disposal maneuvers, which apply to eight of our in-orbit satellites and may in the future be applied to others. We believe that we are in compliance with all of these requirements, but the requirements could result in a slight reduction in the operational life of each new satellite.

- ***Geographic Service Rules.*** The FCC requires DBS and 17/24 GHz BSS licensees to comply with certain geographic service obligations intended to foster the provision of DTH service to subscribers residing in Alaska and Hawaii. We believe that we are in compliance with these rules. The FCC has not acted on petitions filed several years ago by the State of Hawaii and an Alaska satellite television dealer claiming a violation of those rules. We cannot be sure that the FCC will not require us to make potentially cumbersome and costly changes to our business.

- ***FCC Conditions Imposed In Connection With the Liberty Media and News Corporation Transactions.*** In approving Liberty Media's 2008 acquisition of News Corporation's equity investment in us, the FCC imposed a number of regulatory conditions on us, some of which affected our business. In granting authority for subsequent transactions in 2009 and 2010, the FCC conditioned its approval on continued compliance with those conditions. Accordingly, the FCC has imposed on us program carriage conditions intended to prevent discrimination against all forms of unaffiliated programming; and conditions intended to ensure non-discriminatory access to programming affiliated with DIRECTV.

- ***Potential Regulation of Set-Top Receivers.*** Cable operators are subject to a wide variety of regulation of their set-top receivers, including a prohibition on "integrated" security and non-security functions. The FCC has exempted DTH satellite operators from such rules, but has been urged to eliminate that exemption. Were it to do so, DIRECTV U.S. may be required to redesign its set-top receivers and, conceivably, replace existing receivers. The D.C. Circuit recently vacated FCC rules that limited cable and satellite operators' ability to encode programming to restrict copying and to use selectable output control, which could give DIRECTV U.S. additional flexibility. The FCC is also considering an alternate regime under which all MVPDs, including DIRECTV U.S, would be required to offer "All Vid interfaces" instead of their existing set-top receiver arrangements. Such interfaces would be designed according to government specifications to deliver the DIRECTV U.S. programming stream and related data for manipulation by third-party electronic equipment. Moreover, the latest SHVA amendments direct the FCC to formulate a "working group" to deliver a report on technology- and platform- neutral downloadable security solutions. DIRECTV U.S. believes that any additional requirements in this area would significantly hinder its ability to offer new and innovative services, and could complicate its customer service efforts.

- ***Accessibility Requirements.*** The FCC has adopted a series of rules to implement the Twenty-First Century Communications and Video Accessibility Act of 2010. The FCC has adopted numerous accessibility requirements, such as the pass-through or rendering of closed captioning and video description. It has also implemented, and continues to consider, additional requirements which could require the redesign of DIRECTV's set-top receivers or other equipment. For example, remote controls

must be able to access closed captioning through the equivalent of a "button, key, or icon." Moreover, DIRECTV U.S. will have to make available "navigation devices" such as set-top receivers that provide a list of specified functions in audibly accessible form to the blind and visually impaired. Compliance with such accessibility requirements may prove costly and difficult. In particular, FCC mandates regarding the design of DIRECTV U.S.' consumer equipment could hinder our ability to offer new and innovative services using such equipment.

- ***CALM Act Compliance.*** The FCC has adopted rules implementing the Commercial Advertisement Loudness Mitigation Act, or the CALM Act, that require television commercial advertisements to have the same average volume as the programs that they accompany. The FCC has set up a system under which consumers can file complaints regarding commercial volume, as well as "safe harbor" standards under which DIRECTV U.S. can demonstrate compliance with these rules. Recordkeeping and monitoring, however, may prove difficult and costly. Moreover, should DIRECTV U.S. fail to comply with these rules in certain instances, it may lose the ability to demonstrate compliance under the safe harbor provisions, which in turn would make demonstrating compliance still more difficult.

- ***MDU Exclusivity.*** The FCC has prohibited cable companies from maintaining certain exclusive relationships with multiple dwelling units (such as apartment buildings). While the FCC requested comment on whether DBS providers should be prohibited from having similar relationships with multiple dwelling units, it has yet to make a formal decision. If the cable exclusivity ban were to be extended to DBS providers, our ability to serve these types of buildings and communities would be adversely affected. We cannot predict the timing or outcome of the FCC's consideration of this proposal.

International Telecommunication Union Rules. We are required by international rules to coordinate the use of the frequencies on our satellites with other satellite operators who may interfere with us or who may suffer interference from our operations.

Export Control Regulation. The delivery of satellite-related technical information for use by foreign manufacturing companies and of satellites and related technical information for the purpose of launch by foreign launch services providers are subject to strict export control and prior approval requirements.

Other Legal and Regulatory Requirements. DBS/DTH providers are subject to other federal and state regulatory requirements, such as telemarketing and advertising rules, and subscriber privacy rules similar to those governing other MVPDs. We have agreed with the Federal Trade Commission, or FTC, to (1) review and monitor compliance with telemarketing laws by any companies we authorize to do telemarketing and by independent retailers, (2) investigate and respond to complaints about alleged improper telemarketing and (3) terminate our relationship with marketers or retailers found in violation. Similarly, we have agreed with certain state attorneys general to comply with advertising disclosure requirements and monitor compliance by independent retailers.

We are also subject to state and federal rules and laws regarding information security. Most of these rules and laws apply to customer information that could be used to commit identity theft. Substantially all of the U.S. states and the District of Columbia have enacted security breach notification laws. These laws generally require that a business give notice to its customers whose financial account information has been disclosed because of a security breach.

In addition, aspects of DBS/DTH service remain regulated at the state and local level. For example, the FCC has promulgated rules prohibiting restrictions by local government agencies and private organizations on the placement of DBS receiving antennas. Local governments and homeowners associations, however, may continue to regulate the placement of such antennas if necessary to accomplish a clearly defined public safety objective or to preserve a recognized historic district, and may also apply to the FCC for a waiver if there are other local concerns of a special or unusual nature. In addition, a number of state and local governments have attempted to impose consumer protection, customer service and other types of regulation on DBS operators. Also, while

Congress has prohibited local taxation of DBS service, state taxation is permissible, and many states have imposed such taxes, and additional states have attempted to do so recently. Incident to conducting a consumer directed business, we occasionally receive inquiries or complaints from authorities such as state attorneys general and state consumer protection offices or the FTC. These matters are generally resolved in the ordinary course of business, and DIRECTV has agreed to implement a restitution program for consumers who send eligible complaints related to consumer protection practices.

In Latin America, DIRECTV Latin America and its subsidiaries are subject to laws and regulations in each country in which we operate that govern many of the same aspects of our operations as in the United States, such as landing rights for satellites; spectrum, earth station and other licenses; must carry and other requirements with respect to the channels we carry; and regulations governing telemarketing and customer service. Regulatory regimes in Latin America are generally less developed than in the United States, and the application of existing laws and regulations to DBS/DTH providers is at times uncertain. In addition, there are certain areas where regulations in Latin America are stricter than in the United States, such as regarding labor and consumer protection laws. Foreign exchange laws in some countries can have a material impact on our ability to repatriate funds to the United States. Also, several countries such as Venezuela, Argentina and Brazil have passed or proposed laws imposing certain "national" content requirements, advertising limitations and other requirements on the content we distribute. Such laws can have an adverse impact on the business of our subsidiaries.

INTELLECTUAL PROPERTY

All DIRECTV companies maintain active programs for identifying and protecting our important intellectual property. We believe that our growing portfolio of pending and issued patents are important assets. We presently hold over 2,300 issued patents worldwide relating to our past and present businesses, including over 1000 patents developed by, or otherwise relating to, the businesses of DIRECTV U.S. We hold a worldwide portfolio of 1800 trademarks related to the DIRECTV brand, products and services; and that of its related entities. In particular, DIRECTV holds trademark registrations in the US relating to its business, including registrations of the primary "DIRECTV" and the DIRECTV Cyclone Design trademarks. In many instances, these trademarks are licensed royalty-free to third parties for use in support of the DIRECTV U.S. business. We actively protect our important patents, trademarks and other intellectual property rights against unauthorized or improper use by third parties.

ENVIRONMENTAL REGULATION

We are subject to requirements of federal, state, local and foreign environmental laws and regulations. These include laws regulating air emissions, water discharge, employee safety, and universal and hazardous waste management activities. We have an environmental management function designed to track, facilitate and support our compliance with these requirements and attempt to maintain compliance with all such requirements. We have made and will continue to make, as necessary, capital and other expenditures to comply with environmental requirements. We do not, however, expect capital or other expenditures for environmental compliance to be material in 2015. In addition, we periodically review environmental stewardship concepts (such as green initiatives and energy conservation strategies) and implement these whenever feasible. We have been selected by the Environmental Protection Agency as a 2010, 2011, 2012 and 2013 Energy Star award winner for excellence in energy efficient product design and recognized for our "leadership in advancing technology" to reduce energy while continuing to deliver our service. Environmental requirements are complex, change frequently and have become increasingly more stringent over time. Accordingly, we cannot provide assurance that these requirements will not change or become more stringent in the future in a manner that could have a material adverse effect on our business.

We are also subject to environmental laws requiring the investigation and cleanup of environmental contamination at facilities we formerly owned or operated or currently own or operate or to which we sent hazardous wastes, including specified universal wastes, for treatment, service, disposal or recycling. We are aware of contamination at one of our former sites. We are in the process of complying with the requirements stipulated

by the government agency overseeing the site cleanup and have allocated the funds to achieve the decontamination goals.

SEGMENT REPORTING DATA

Operating segment and principal geographic area data for 2014, 2013 and 2012 are summarized in Note 20 of the Notes to the Consolidated Financial Statements in Item 8, Part II of this Annual Report.

EMPLOYEES

As of December 31, 2014, DIRECTV U.S. had approximately 16,500 full-time and 450 part-time employees, DIRECTV Latin America had approximately 13,000 full-time and 2,000 part-time employees and DIRECTV Sports Networks and Other had approximately 200 full-time employees.

ACCESS TO COMPANY REPORTS

Our website address is www.directv.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished, if any, pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. We are not incorporating by reference in this Annual Report on Form 10-K any information on our website.

DIRECTV, and the DIRECTV Cyclone Design logo, DIRECTV CINEMA and Genie are trademarks of The DIRECTV Group, Inc. and/or its affiliated entities. Other trademarks, service marks and trade names appearing in this Annual Report are the property of their respective holders.

ITEM 1A. RISK FACTORS

You should carefully consider the following risk factors. The risks described below are not the only ones facing our company.

Our business, financial condition or results of operations could be materially and adversely affected by the following:

We compete with other MVPDs, some of whom have greater resources than we do and levels of competition are increasing.

We compete in the MVPD industry against cable television, telcos and wireless companies and other land-based and satellite-based system operators with service offerings including video, audio and interactive programming, broadband and other entertainment services and telephony services. Some of these competitors have greater financial, marketing and other resources than we do.

Some cable television operators have large, established customer bases and many cable operators have significant investments in, and access to, programming. Cable television operators have advantages relative to our U.S. operations, including or as a result of:

- being the incumbent MVPD operator with an established subscriber base in the territories in which DIRECTV U.S. competes;
- access to telephone service on upgraded cable systems;
- legacy arrangements for exclusivity in certain multiple dwelling units and planned communities.

In addition, certain cable companies and telcos in the U.S. and Latin America are capable of offering bundled video, broadband and telecommunications services. In some cases, it appears that the video component of such bundled offerings is significantly under-priced and, in effect, subsidized by the rates charged for broadband and telephony services. In Latin America, this practice of cross-subsidization is sometimes incentivized

by higher taxes on pay TV services than on telecommunication and broadband services. These pricing practices can influence customers' willingness to subscribe to our service at rates we consider appropriate.

Mergers, joint ventures and alliances among wireless or private cable television operators, telcos, broadband service providers and others may result in an increase in the number of providers capable of offering such bundled services.

We have been unable to secure certain international programming, due to exclusive arrangements of programming providers with certain competitors, which has constrained our ability to compete for subscribers who wish to obtain such programming. And as discussed below, certain cable-affiliated programmers have withheld their programming from us in certain markets, which has further constrained our ability to compete for subscribers in those markets.

In the United States, various telcos and broadband service providers have deployed fiber optic lines directly to customers' homes or neighborhoods to deliver video services, which compete with the DIRECTV service. It is uncertain whether we will be able to increase our satellite capacity, offer a significant level of new services in existing markets in which we compete or expand to additional markets as may be necessary to compete effectively. Some of these various telcos and broadband service providers also sell the DIRECTV service as part of a bundle with their voice and data services. A new broadly-deployed network with the capability of providing video, voice and data services could present a significant competitive challenge and, in the case of the telcos currently selling the DIRECTV service, could result in such companies focusing less effort and resources on selling the DIRECTV service or declining to sell it at all. We may be unable to develop other distribution methods to make up for lost sales through the telcos.

As a result of these and other factors, we may not be able to continue to expand our subscriber base or compete effectively against cable television or other MVPD operators in the future.

Emerging digital media competition could materially adversely affect us.

Our business is focused on video, and we face emerging competition from other providers of digital media, some of which have greater financial, marketing and other resources than we do. In particular, programming offered over the Internet has become more prevalent as the speed and quality of broadband networks have improved. Online video distributors and providers such as Netflix, Hulu, Roku, Amazon, Apple and Google, as well as gaming consoles such as Microsoft's Xbox One and Sony's PS4, are aggressively working to become alternative providers of video services. Such services and the growing availability of online content, coupled with an expanding market for connected devices and Internet-connected televisions, as well as wireless and other emerging mobile technologies that provide for the distribution and viewing of video programming, pose a competitive challenge to traditional MVPDs, as a number of consumers may decide to drop or reduce their traditional MVPD subscription package. Some of these services charge a nominal fee or no fee for access to their content, which could adversely affect our business. Programming suppliers also are making more content available on these alternative forms of distribution.

Significant changes in consumer behavior with regard to how they obtain video entertainment and information in response to this emerging digital media competition could materially adversely affect our revenues and earnings or otherwise disrupt our business.

We depend on others to produce programming and programming costs are increasing.

Almost all of our programming is provided by third parties unaffiliated with DIRECTV. Typically our programming agreements are multiple-year agreements and contain annual price increases. Upon renewal of expiring contracts, programming suppliers have historically increased the rates they charge us for programming. Often these increases are greater than the rate of inflation. We expect this practice to continue and the negotiations over such increases to become more difficult and potentially disruptive. From time to time during difficult negotiations, programming suppliers have and may in the future, require us to remove their programming our service which can result in customer dissatisfaction and increased churn. Programming expenses will continue to be our largest single expense item in the foreseeable future. Our industry has continued to experience an increase in the cost of programming, especially sports programming and retransmission costs for broadcast programming. Continued increases in programming costs may force us to increase the rates that we charge our subscribers, which could in turn, especially in a difficult economic environment, cause subscribers to terminate their subscriptions or potential new subscribers to refrain from subscribing to our service. Furthermore, due to the economy and other factors, we may be unable to pass programming cost increases on to our subscribers. Alternatively, to attempt to mitigate the effect of price increases, we may refuse to carry certain channels, which could adversely affect subscriber growth or result in higher churn.

In addition, a limited number of cable-affiliated programmers have in the past denied us access to their programming. As discussed below, the FCC's prohibition on most exclusive distribution arrangements involving cable operators and cable-affiliated programmers expired in 2012, replaced by a case-by-case complaint procedure in which the burden rests with the complainant. Our ability to compete successfully will depend on our ability to continue to obtain desirable programming and deliver it to our subscribers at competitive prices. We may not be able to renew these agreements on favorable terms, or at all, or these agreements may be canceled prior to expiration of their original terms. If we are unable to renew any of these agreements or the other parties cancel the agreements, we may not be able to obtain substitute programming, or what we obtain may not be comparable in quality or cost to our existing programming.

If we are unable to obtain rights to programming or to pass additional costs on, the potential loss of subscribers and the need to absorb some or all of the additional costs could have a material adverse effect on our earnings or cash flow.

We may experience increased subscriber churn or higher subscriber upgrade and retention.

Subscriber service cancellations, or churn, have a significant financial impact on the results of operations of any subscription television provider, as does the cost of upgrading and retaining subscribers. Any increase in our upgrade and retention costs for our existing subscribers or increased programming costs may adversely affect our financial performance or cause us to increase our subscription rates, which could increase churn. Churn may also increase due to factors beyond our control, including churn by subscribers who are unable to pay their monthly subscription fees, a slowing economy, significant signal theft, consumer fraud, a maturing subscriber base and competitive offers and alternatives. Any of the risks described in this Annual Report that could potentially have a material adverse impact on our costs or service quality or that could result in higher prices for our subscribers could cause an increase in churn and consequently have a material adverse effect on our earnings and financial performance.

Our subscriber acquisition costs could materially increase.

We incur costs for subscribers acquired by us and through third parties. These costs are known as subscriber acquisition costs and include the cost of set-top receivers and other equipment, commissions we pay to third parties, and the cost of installation, advertising, marketing and customer call center expenses associated with the acquisition of new subscribers. Our subscriber acquisition costs may materially increase if we offer more costly advanced equipment or services, including connecting our receivers to the customers' broadband service, continue

or expand current sales promotion activities or introduce more aggressive promotions. Any material increase in subscriber acquisition costs from current levels would negatively impact our earnings and could materially adversely affect our financial performance.

Weakening economic conditions may reduce subscriber spending and our rate of growth of subscriber additions and may increase subscriber churn.

Our business may be affected by factors that are beyond our control, such as downturns in economic activity, or in the MVPD industry. Factors such as interest rates and the health of the housing market may impact our business. A substantial portion of our revenues comes from residential customers whose spending patterns may be affected by prevailing economic conditions. Our market share in multiple dwelling units such as apartment buildings is lower than that of many of our competitors. If unemployment and foreclosures of single family residences increase, our earnings and financial performance could be negatively affected more than those of our competitors. In addition, if our customers seek alternative means to obtain video entertainment, they may choose to purchase fewer services from us or may discontinue receiving our services. Due to the economic and competitive environment, we may need to spend more, or we may provide greater discounts or credits, to acquire and retain customers who may spend less on our services. If our ARPU decreases or does not increase commensurate with increases in programming or other costs, our margins could become compressed and the long-term value of a customer would then decrease. A weak economy may affect our net subscriber additions and reduce subscriber spending and, if these economic conditions continue or deteriorate, subscriber growth could decline and churn could increase which would have a material adverse effect on our earnings and financial performance.

DIRECTV Latin America is subject to various additional risks associated with doing business internationally, which include political instability, economic instability and foreign currency controls and exchange rate volatility.

All of DIRECTV Latin America's operating companies are located outside the continental United States. DIRECTV Latin America operates and has subscribers located throughout Latin America and the Caribbean, which makes it vulnerable to risks of conducting business in foreign markets, including:

- difficulties and costs associated with complying with a wide variety of complex laws, treaties and regulations;
- unexpected changes in political or regulatory environments;
- earnings and cash flows that may be subject to exchange rate fluctuations, tax withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- restrictions on, or difficulties and costs associated with, the repatriation of cash from foreign countries to the United States;
- political and economic instability;
- import and export restrictions and other trade barriers;
- difficulties in maintaining overseas subsidiaries and international operations;
- difficulties in obtaining approval for significant transactions;
- government limitations on foreign ownership;
- government takeover or nationalization of business; and
- government mandated price controls.

In the past, the countries that constitute some of DIRECTV Latin America's largest markets, including Brazil, Argentina, Colombia and Venezuela, have experienced economic crises, characterized by exchange rate instability, currency devaluation, high inflation, high interest rates, economic contraction, a reduction or cessation of international capital flows, a reduction of liquidity in the banking sector and high unemployment. These economic conditions have often been related to political instability. If these economic conditions recur, they could substantially reduce the purchasing power of the population in our markets, including the middle-markets which we are targeting, and materially adversely affect our business. Also, foreign currency exchange controls are currently in effect in Venezuela and Argentina, and have adversely affected our ability to repatriate cash balances from those countries.

Because DIRECTV Latin America offers premium pay television programming, its business may be particularly vulnerable to economic downturns. DIRECTV Latin America has in the past experienced, and may in the future experience, decreases or instability in consumer demand for its programming and increases in subscriber credit problems. DIRECTV Latin America's inability to adjust its business and operations to address these issues, including the inability to pass on price increases to offset inflation, could materially adversely affect its revenues and ability to sustain profitable operations.

Our ability to keep pace with technological developments is uncertain.

In our industry, changes occur rapidly as new technologies are developed, which could render our services and products obsolete. We may not be able to keep pace with technological developments. If new technologies on which we focus our investments fail to achieve acceptance in the marketplace or our technology does not work and requires significant cost to replace or fix, we could suffer a material adverse effect on our future competitive position, which could cause a reduction in our revenues and earnings. Further, after incurring substantial costs, one or more of the technologies under development by us or any of our strategic partners could become obsolete prior to its introduction.

Technological innovation depends, to a significant extent, on the work of technically skilled employees. Competition for the services of these employees has been vigorous. We may not be able to continue to attract and retain such employees.

To access technologies and provide products that are necessary for us to remain competitive, we may make future acquisitions and investments and may enter into strategic partnerships with other companies. Such investments may require a commitment of significant capital and human and other resources. The value of such acquisitions, investments and partnerships and the technology accessed may be highly speculative. Arrangements with third parties can lead to contractual and other disputes and dependence on others for the development and delivery of necessary technology that we may not be able to control or influence. Such relationships may commit us to technologies that are rendered obsolete by other developments or preclude the pursuit of other technologies which may prove to be superior.

Our business relies on intellectual property, some of which is owned by third parties, and we may inadvertently infringe patents and proprietary rights of others.

Many entities, including some of our competitors, have or may obtain patents and other intellectual property rights that cover or affect products or services related to those that we currently offer or may offer. If a court determines that one or more of our services or the products used to transmit or receive our services infringes on intellectual property owned by others, we and the applicable manufacturers or vendors may be required to cease developing or marketing those services and products, to obtain licenses from the owners of the intellectual property or to redesign those services and products in such a way as to avoid infringing such intellectual property rights. If a third party holds intellectual property rights, it may not allow us or the applicable manufacturers to use its intellectual property at any price, which could materially adversely affect our competitive position.

We may not be aware of all intellectual property rights that our services or the products used to transmit or receive our services may potentially infringe. U.S. patent applications are generally confidential until the Patent and Trademark Office issues a patent. Therefore, we cannot evaluate the extent to which our services or the products used to transmit or receive our services may infringe claims contained in pending patent applications. Further, without lengthy litigation, it is often not possible to determine definitively whether a claim of infringement is valid.

We cannot estimate the extent to which we may be required in the future to obtain intellectual property licenses or the availability and cost of any such licenses. Those costs, and their impact on our earnings, could be material. Damages in patent infringement cases may also include treble damages. If we are required to pay royalties to third parties, these increased costs could materially adversely affect our operating results. We are currently being sued in patent infringement actions related to use of technologies in our DTH business. There can be no assurance that the courts will conclude that our services or the products used to transmit or receive our services do not infringe on the rights of third parties, that we or the manufacturers would be able to obtain licenses from these persons on commercially reasonable terms or, if we were unable to obtain such licenses, that we or the manufacturers would be able to redesign our services or the products used to transmit or receive our services to avoid infringement. The final disposition of these claims is not expected to have a material adverse effect on our consolidated financial position, but could possibly be material to our consolidated results of operations for any one period. Further, no assurance can be given that any adverse outcome would not be material to our consolidated financial position. See "Legal Proceedings-Intellectual Property Litigation" in Part I, Item 3 which is incorporated by reference herein.

We rely on key executives.

We believe that our future success will depend to a significant extent upon the performance of certain of our key executives. The loss of certain of our key executives could have a material adverse effect on our business, financial condition and results of operations.

Construction or launch delays on satellites could materially adversely affect our revenues and earnings.

A key component of our business strategy is our ability to expand our offering of new programming and services, including HD and 4K programming. In order to accomplish this goal, we need to construct and launch new satellites. The construction and launch of satellites are often subject to delays, including construction delays, unavailability of launch opportunities due to competition for launch slots, weather, general delays when a launch provider experiences a launch failure, and delays in obtaining regulatory approvals. A significant delay in the delivery of any satellite would materially adversely affect the use of the satellite and thus could materially adversely affect our anticipated revenues and earnings. If satellite construction schedules are not met, there can be no assurance that a launch opportunity will be available at the time a satellite is ready to be launched. Certain delays in satellite construction could also jeopardize a satellite authorization that is conditioned on timely construction and launch of the satellite.

Satellites are subject to significant launch and operational risks.

Satellites are subject to significant operational risks relating to launch and while in orbit. These risks include launch failure, incorrect orbital placement or improper operation. Launch failures result in significant delays in the deployment of satellites because of the need both to construct replacement satellites, which can take up to 36 months, and to obtain other launch opportunities. Any significant delays or failures in successfully launching and deploying our satellites could materially adversely affect our ability to generate revenues. While we have traditionally purchased insurance covering the launch and, in limited cases, operation of our satellites, such policies typically cover the loss of the satellite itself or a portion thereof, and not the business interruption or other associated direct and indirect costs. In-orbit risks include malfunctions, commonly referred to as anomalies, and collisions with meteoroids, other spacecraft or other space debris. Anomalies occur as a result of satellite

manufacturing errors, problems with the power systems or control systems of the satellites and general failures resulting from operating satellites in the harsh space environment. We work closely with our satellite manufacturers to determine and eliminate the potential causes of anomalies in new satellites and provide for redundancies of critical components as well as having backup satellite capacity. However, we cannot assure that we will not experience anomalies in the future, nor can we assure you that our backup satellite capacity will be sufficient.

Any single anomaly or series of anomalies could materially adversely affect our operations and revenues and our relationships with our subscribers, as well as our ability to attract new subscribers for our services. Anomalies may also reduce the expected useful life of a satellite, creating additional expenses due to the need to provide replacement or backup satellites and potentially reducing revenues if service is interrupted. Finally, the occurrence of anomalies may materially adversely affect our ability to insure our satellites at commercially reasonable premiums, if at all.

Our ability to earn revenue also depends on the usefulness of our satellites. Each satellite has a limited useful life. A number of factors affect the useful life of a satellite, including, among other things:

- the design;
- the quality of its construction;
- the durability of its component parts;
- the insertion of the satellite into orbit;
- any required movement, temporary or permanent, of the satellite;
- the ability to continue to maintain proper orbit and control over the satellite's functions; and
- the remaining on-board fuel following orbit insertion.

Generally, the minimum design life of the satellites in our fleet is between 12 and 16 years. The actual useful lives of the satellites may be shorter or longer, in some cases significantly. Our operating results could be adversely affected if the useful life of any of our satellites were significantly shorter than 12 years from the date of launch.

In the event of a failure or loss of any of DIRECTV U.S.' satellites, DIRECTV U.S. may relocate another satellite and use it as a replacement for the failed or lost satellite. In the event of a complete satellite failure, DIRECTV U.S.' services provided via that satellite could be unavailable for several days or longer while backup in-orbit satellites are repositioned and services are moved. DIRECTV U.S. is not insured for any resultant lost revenues. The use of backup satellite capacity for DIRECTV U.S. programming may require DIRECTV U.S. to discontinue some programming services due to potentially reduced capacity on the backup satellite. Relocation of a DIRECTV U.S. satellite may not require prior FCC approval if, among other things, the replacement satellite would operate within the authorized or coordinated parameters of the failed or lost satellite. If that is not the case, prior FCC approval would be required. Such FCC approval may not be obtained on a timely basis or at all. DIRECTV U.S. believes we have in-orbit satellite capacity to expeditiously recover transmission of most of our programming in the event one of our in-orbit satellites fails. However, programming continuity cannot be assured in the event of multiple satellite losses.

DIRECTV Latin America provides its services in PanAmericana and Brazil using leased transponders on two satellites. Sky Mexico provides its services from leased transponders on a separate satellite. Backup satellite capacity is available to serve Sky Brasil and Sky Mexico. In the event of a failure of a satellite used to provide services to Sky Brasil or Sky Mexico, we believe DIRECTV Latin America has sufficient in orbit back-up capacity to recover transmission of most of its programming distributed in those markets. In PanAmericana, DIRECTV Latin America currently has partial designated back up satellite capacity for the region and, by the end of 2015, we expect to have full back up satellite capacity to ensure programming continuity in the event of a satellite loss.

In addition, DIRECTV Latin America is dependent on third parties for the orbital slots in which its leased satellites are located. If those third parties fail to adequately protect their rights to continued use of and other rights related to those orbital slots, or fail to take appropriate steps to manage potential conflicts with rights holders for adjacent orbital slots, then DIRECTV Latin America could lose rights to operate from those locations or may otherwise be required to modify or limit its operations from those locations which could materially adversely affect DIRECTV Latin America's transmission capacity and its ability to compete in regions served from those orbital slots.

The loss of a satellite could materially adversely affect our earnings.

Any launch vehicle failure, or loss or destruction of any of our satellites, even if insured, could have a material adverse effect on our financial condition and results of operations, our ability to comply with FCC regulatory obligations and our ability to fund the construction or acquisition of replacement satellites in a timely fashion, or at all. At December 31, 2014, the net book value of in-orbit satellites was $1,806 million, none of which was insured.

DIRECTV U.S. depends on the Communications Act for access to cable-affiliated programming and changes impacting that access could materially adversely affect us.

DIRECTV U.S. purchases a substantial percentage of programming from programmers that are affiliated with cable system operators, including key RSNs. Currently, under certain provisions of the Communications Act governing access to programming, cable-affiliated programmers generally must sell and deliver their programming services to all MVPDs on non-discriminatory terms and conditions.

Any change in the Communications Act or the FCC's rules that would permit programmers that are affiliated with cable system operators to refuse to provide such programming or to impose discriminatory terms or conditions could materially adversely affect our ability to acquire programming on a cost-effective basis, or at all. The Communications Act prohibitions on certain cable industry exclusive contracting practices with cable-affiliated programmers expired in October 2012. Under the remaining rules, DIRECTV may bring complaints on a case-by-case basis alleging that a particular instance of exclusivity constitutes a prohibited "unfair practice" that has the purpose or effect of significantly hindering or preventing DIRECTV from providing programming to consumers. The FCC is currently considering whether to adopt additional safeguards, such as rebuttable presumptions in favor of complainants, but we cannot predict what if any action the FCC will take. Regardless of the outcome of those considerations, the weakening of the program access rules may increase the ability of cable-affiliated programmers to deny DIRECTV access to their programming.

In addition, certain cable providers have denied in the past and could in the future deny us and other MVPDs access to a limited number of channels created by programmers with which the cable providers are affiliated. In other cases, such programmers have denied MVPDs high-definition feeds of such programming. The cable providers have asserted that they were not required by the Communications Act to provide such programming (or resolution) due to the manner in which that programming is distributed. The FCC adopted rules to close this loophole. However, an evidentiary showing by an MVPD seeking access to such programming would be required and cable operators have vigorously contested such showings.

DIRECTV U.S. itself is subject to similar restrictions with respect to certain programmers affiliated with us. The FCC imposed a number of conditions on its approval of Liberty Media's acquisition of News Corporation's interest in DIRECTV which continue to apply. Those conditions require DIRECTV U.S. to offer national and regional programming services it controls to all MVPDs on non-exclusive and non-discriminatory terms and conditions, and prohibits DIRECTV U.S. from entering into exclusive arrangements with affiliated programmers or unduly influencing such programmers in their dealings with other MVPDs.

We are subject to significant regulatory oversight and changes in applicable regulatory requirements could adversely affect our business. You should review the regulatory disclosures under the caption "Item 1—Business—Government Regulation—FCC Regulation Under the Communications Act and Related Acts" which is incorporated herein by reference.

Changes to and implementation of statutory copyright license requirements may negatively affect our ability to deliver local and distant broadcast stations, as well as other aspects of our business.

We carry the signals of local and distant broadcast stations pursuant to statutory copyright licenses contained in SHVA, and our carriage of these stations is governed by the FCC and Copyright Office implementing regulations. Any changes to such laws or regulations could limit our ability to deliver local or distant broadcast signals. More generally, we have limited capacity, and the projected number of markets in which we can deliver local broadcast programming will continue to be constrained because of the statutory "carry-one, carry-all" requirement and may be reduced depending on the FCC's interpretation of its rules, as well as judicial decisions. The new "market modification" procedures could also limit our ability to carry local signals, depending on how the FCC implements them. We may not be able to comply with these must carry rules, or compliance may mean that we are not able to use capacity otherwise for new or additional local or national programming services.

The FCC has adopted rules for "retransmission consent" requiring us to negotiate in good faith with broadcast stations seeking carriage outside of the mandatory carriage regime described elsewhere. Failure to comply with these rules could subject us to administrative sanctions and other penalties. Moreover, the FCC is considering changes to these and other rules related to retransmission consent, which could make negotiations more difficult, increase fees charged for carriage, or result in the increased withholding of broadcast signals.

Satellite programming signals have been stolen and may be stolen, which could result in lost revenues and would cause us to incur incremental operating costs that do not result in subscriber acquisition.

The delivery of subscription programming requires the use of conditional access technology to limit access to programming to only those who are authorized to view it. The conditional access system uses encryption technology to protect the transmitted signal from unauthorized access. It is illegal to create, sell or otherwise distribute software or devices to circumvent that conditional access technology. However, theft of cable and satellite programming has been widely reported, and the access cards used in our conditional access system have been, and could be compromised in the future.

We have undertaken various initiatives with respect to our conditional access system to further enhance the security of the DIRECTV signal. We provide our subscribers with advanced access cards that we believe significantly enhance the security of our signal. We believe these access cards have not been compromised. However, we cannot guarantee that these advanced access cards will prevent future theft of our satellite programming signals. There can be no assurance that we will succeed in developing the technology we need to effectively restrict or eliminate signal theft. If our current access cards are compromised, our revenue and our ability to contract for programming could be materially adversely affected. In addition, our operating costs could increase if we attempt to implement additional measures to combat signal theft.

In addition, particularly in Latin America, we also face other forms of signal theft, including illegal retransmission of our signal through unauthorized cable head-ends and Internet key sharing schemes. If we are not able to contain and combat these and other forms of signal theft, such schemes could limit our growth and materially adversely affect our ability to generate revenue.

The ability to maintain FCC licenses and other regulatory approvals is critical to our business.

If we do not obtain all requisite U.S. regulatory approvals for the construction, launch and operation of any of our existing or future satellites, for the use of frequencies at the orbital locations planned for these satellites or for the provision of service, or the licenses obtained impose operational restrictions on us, our ability to generate revenue and profits could be materially adversely affected. In addition, under certain circumstances, existing licenses are subject to revocation or modification and upon expiration, extension or renewal may not be granted. If existing licenses are not extended or renewed, or are revoked or materially modified, our ability to generate revenue could be materially adversely affected.

Other U.S. regulatory risks include:

- the relocation of satellites to different orbital locations if the FCC determines that relocation is in the public interest;
- the denial by the FCC of an application to replace an existing satellite with a new satellite, or to operate a satellite beyond the term of its current authorization, or to operate an earth station to communicate with such satellite; and
- the authorization by the United States or foreign governments of the use of frequencies by third party satellite or terrestrial facilities that have the potential to interfere with communication to or from our satellites, which could interfere with our contractual obligations or services to subscribers or other business operations.

All of our FCC satellite authorizations are subject to conditions imposed by the FCC in addition to the FCC's general authority to modify, cancel or revoke those authorizations. Use of FCC licenses and other authorizations are often subject to conditions, including technical requirements and implementation deadlines. Failure to comply with such requirements, or comply in a timely manner, could lead to the loss of authorizations and could have a material adverse effect on our ability to generate revenue. For example, loss of an authorization could potentially reduce the amount of programming and other services available to our subscribers. The materiality of such a loss of authorization would vary based upon, among other things, the orbital location at which the frequencies may be used.

Moreover, some of our authorizations and future applications may be subject to petitions and oppositions, and there can be no assurance that our authorizations will not be canceled, revoked or modified or that our applications will not be denied. The outcomes of any legislative or regulatory proceedings or their effect on our business cannot be predicted. You should review "Item 1. Business—Government Regulation—FCC Regulation Under the Communications Act and Related Acts," which is incorporated herein by reference.

DIRECTV U.S. has significant debt.

The carrying value of DIRECTV U.S.' debt, which is guaranteed by DIRECTV, totaled $20,527 million as of December 31, 2014. If we do not have sufficient income or other sources of cash, it could affect our ability to service debt and pay other obligations.

We may not be able to obtain or retain certain foreign regulatory approvals.

There can be no assurance that any current regulatory approvals held by us are, or will remain, sufficient in the view of foreign regulatory authorities, or that any additional necessary approvals will be granted on a timely basis or at all, in all jurisdictions in which we operate, or that applicable restrictions in those jurisdictions will not be unduly burdensome. The failure to obtain and maintain the authorizations necessary to operate satellites or provide satellite service internationally could have a material adverse effect on our ability to generate revenue and our overall competitive position.

We rely on network and information systems and other technology, and a disruption or failure of such networks, systems or technology as a result of misappropriation of data or other malfeasance, as well as outages, natural disasters, accidental releases of information or similar events, may disrupt our business.

Because network and information systems and other technologies are critical to our operating activities, network or information system shutdowns caused by events such as computer hacking on our network or our directv.com website, dissemination of computer viruses, worms and other destructive or disruptive software, and other malicious activity including industrial espionage and malicious social engineering, as well as power outages, natural disasters such as earthquakes, terrorist attacks and similar events, pose significant risks. Due to the fast-moving pace of technological advancements, it may be difficult to detect, contain and remediate every such

event. Such an event could have an adverse impact on our operations, including service disruption, degradation of service, excessive call volume to call centers and damage to our broadcast centers, other properties, equipment and data. Such an event also could result in large expenditures necessary to repair or replace such networks or information systems or to protect them from similar events in the future. Third parties may also experience errors or disruptions that could adversely impact our business operations and over which we have limited control. Significant incidents could result in a disruption of our operations, customer dissatisfaction, or a loss of customers or revenues. The amount and scope of insurance we maintain against losses resulting from these events may not be sufficient to cover our losses or otherwise adequately compensate us for any disruptions to our business that may result. Furthermore, our operating activities could be subject to risks caused by misappropriation, misuse, leakage, falsification and accidental release or loss of information maintained in our information technology systems and networks, including customer, personnel and vendor data. We could be exposed to significant costs if such risks were to materialize, and such events could damage our reputation and credibility and have a negative impact on our revenues. We also could be required to expend significant capital and other resources to remedy any such security breach. As a result of the increasing awareness concerning the importance of safeguarding personal information, the potential misuse of such information and legislation that has been adopted or is being considered regarding the protection, privacy and security of personal information, the liability associated with information-related risks is increasing, particularly for businesses like ours that handle a large amount of personal customer data. The occurrence of any such network or information systems related events or security breaches could have a material adverse effect on our business and results of operations.

Our DIRECTV Everywhere initiative offers access to our DIRECTV service content through streaming or other access through the Internet and is an important part of our strategy to continue to build the value of our service for our customers. This initiative will become more important as the volume and variety of such programming through streaming increases. The means to provide such access is a combination of proprietary technology and technology provided by our third-party vendors. Disruption or failure of these technologies or a disruption in the Internet could limit or preclude access by our customers to our streaming product.

We face risks arising from the outcome of various legal proceedings.

We are involved in various legal proceedings, including those arising in the ordinary course of business, such as consumer class actions and those described under the caption "Legal Proceedings" in Part I, Item 3 incorporated by reference herein. Such matters include investigations and legal actions by the FTC and state attorneys general where regulators may seek monetary damages and may also seek to require or prohibit certain actions by us with regard to our current or potential customers. While we do not believe that any of these proceedings alone or in the aggregate will have a material effect on our consolidated financial position, an adverse outcome in one or more of these matters or the imposition of conditions by regulators on the conduct of our business could be material to our consolidated results of operations and cash flows for any one period. Further, no assurance can be given that any adverse outcome would not be material to our consolidated financial position.

Our strategic initiatives may not be successfully implemented, may not elicit the expected customer response in the market and may result in competitive reactions.

The Company has identified a number of strategic initiatives that it intends to pursue which are discussed in more detail in the "Business Strategy" section beginning in Part I, Item 1 of this Annual Report. The successful implementation of those strategic initiatives requires an investment of time, talent and money and is dependent upon a number of factors some of which are not within our control. Those factors include the ability to execute such initiatives in the market, the response of existing and potential new customers, and the actions or reactions of competitors. If we fail to properly execute or deliver products or services that do not address customers' expectations, it may have an adverse effect on our ability to retain and attract customers and may increase our costs and reduce our revenues. Similarly, competitive actions or reactions to our initiatives or advancements in technology or competitive products or services could impair our ability to execute or could limit the effectiveness

of those strategic initiatives. There can be no assurance that we will successfully implement these strategic initiatives or that, if successfully pursued, they will have the desired effect on our business or results of operations.

In addition, below are risk factors relating to the proposed AT&T merger transaction:

DIRECTV may have difficulty attracting, motivating and retaining executives and other key employees in light of the pending merger with AT&T.

Competition for qualified personnel can be intense. Current and prospective employees of DIRECTV may experience uncertainty about the effect of the merger, which may impair DIRECTV's ability to attract, retain and motivate key management, sales, marketing, technical and other personnel prior to the merger. Employee retention may be particularly challenging during the pendency of the merger, as employees of DIRECTV may experience uncertainty about their future roles with the combined company.

In addition, there could be disruptions to or distractions for the workforce and management associated with obtaining the required regulatory approvals to close the proposed transaction and planning for the integration of DIRECTV into AT&T once the transaction is approved.

Completion of the merger is subject to conditions and if these conditions are not satisfied or waived, the merger will not be completed.

The obligations of AT&T and DIRECTV to complete the merger are subject to satisfaction or waiver of a number of conditions. The obligations of AT&T and DIRECTV are each subject to, among other conditions: (i) receipt of all necessary consents from the FCC for the consummation of the merger, (ii) absence of any applicable law, order or injunction that prohibits completion of the merger, (iii) accuracy of the representations and warranties made in the merger agreement by the other party, subject to certain materiality qualifications, (iv) performance in all material respects by the other party of the material obligations required to be performed by it at or prior to completion of the merger and (v) the absence of a material adverse effect on the other party. In addition, the obligations of AT&T are also subject to receipt of a tax opinion from Sullivan & Cromwell LLP, dated as of the effective time, to the effect that the merger will qualify as a reorganization within the meaning of Section 368 of the Internal Revenue Code. The obligations of DIRECTV are also subject to receipt of a tax opinion from Weil, Gotshal and Manges LLP, dated as of the effective time, to the effect that the merger will qualify as a reorganization within the meaning of Section 368 of the Internal Revenue Code (see the section entitled "The Merger Agreement-Conditions to Completion of the Merger"). In certain cases, AT&T's obligation to complete the merger is further subject to the relevant governmental approvals having been received without the imposition of, and there being no applicable law imposing, a regulatory material adverse effect (see the definition of regulatory material adverse effect in the section entitled "The Merger Agreement-Regulatory Approvals" beginning on page 87 of the Definitive Proxy Statement of DIRECTV filed with the SEC on August 21, 2014, or the August Proxy Statement).

For a more complete summary of the conditions that must be satisfied or waived prior to completion of the merger, see the section entitled "The Merger Agreement-Conditions to Completion of the Merger" beginning on page 104 of the August Proxy Statement. The satisfaction of all of the required conditions could delay the completion of the merger for a significant period of time or prevent it from occurring. Any delay in completing the merger could cause AT&T not to realize some or all of the benefits that AT&T expects to achieve if the merger is successfully completed within its expected time frame. Further, there can be no assurance that the conditions to the closing of the merger will be satisfied or waived or that the merger will be completed. See the risk factor entitled "Failure to complete the merger could negatively impact the stock price and the future business and financial results of DIRECTV," below.

DIRECTV's business relationships may be subject to disruption due to uncertainty associated with the merger.

Parties with which DIRECTV does business may experience uncertainty associated with the transaction, including with respect to current or future business relationships with AT&T, DIRECTV or the combined company. DIRECTV's business relationships may be subject to disruption as customers, distributors, suppliers, vendors and others may attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than AT&T, DIRECTV or the combined company. These disruptions could have an adverse effect on the business, financial condition, results of operations or prospects of DIRECTV. The risks, and adverse effects, of such disruptions could be exacerbated by a delay in completion of the merger or termination of the Merger Agreement.

Failure to complete the merger could negatively impact the stock price and the future business and financial results of DIRECTV.

If the merger is not completed for any reason, the ongoing business of DIRECTV may be adversely affected and, without realizing any of the benefits of having completed the merger, DIRECTV would be subject to a number of risks, including the following:

- DIRECTV may experience negative reactions from the financial markets, including negative impacts on its stock price;
- DIRECTV may experience negative reactions from its customers, regulators and employees;
- DIRECTV will be required to pay certain costs relating to the merger, whether or not the merger is completed;
- the Merger Agreement places certain restrictions on the conduct of DIRECTV's business prior to completion of the merger. Such restrictions, the waiver of which is subject to the consent of the AT&T (in certain cases, not to be unreasonably withheld, conditioned or delayed), may prevent DIRECTV from making certain acquisitions or taking certain other specified actions during the pendency of the merger (see the section entitled "The Merger Agreement-Conduct of Business of DIRECTV and its Subsidiaries Prior to Completion of the Merger" beginning on page 97 of the August Proxy Statement for a description of the restrictive covenants applicable to DIRECTV and AT&T); and
- matters relating to the merger (including integration planning) will require substantial commitments of time and resources by DIRECTV management, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to DIRECTV as an independent company.

In addition to the above risks, DIRECTV may be required, under certain circumstances, to pay to AT&T the termination fee, which may materially adversely affect DIRECTV's financial results. Further, DIRECTV could be subject to litigation related to any failure to complete the merger or related to any enforcement proceeding commenced against DIRECTV to perform its obligations under the Merger Agreement. If the merger is not completed, these risks may materialize and may adversely affect DIRECTV's business, financial condition, financial results and stock prices.

We may face other risks described from time to time in periodic reports filed by us with the SEC.

From time to time, we may disclose other relevant risks in other periodic reports that we file with the SEC. We urge you to consider the above risk factors and any other risks disclosed in such periodic reports carefully in evaluating the forward-looking statements contained in this Annual Report. The forward-looking statements included in this Annual Report are made only as of the date of this Annual Report and we undertake no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2014, we had approximately 231 owned and leased locations operating in the United States and Latin America. The major locations of the DIRECTV U.S. segment include eight administrative offices, two broadcast centers and six call centers. The major locations of the DIRECTV Latin America segment include 13 administrative offices, four broadcast centers and five call centers. We consider our properties adequate for our present needs.

ITEM 3. LEGAL PROCEEDINGS

(a) Material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which we became or were a party during the year ended December 31, 2014 or subsequent thereto, but before the filing of the report, are summarized below:

Intellectual Property Litigation. We are a defendant in several unrelated lawsuits claiming infringement of various patents relating to various aspects of our businesses. In certain of these cases other industry participants are also defendants, and also in certain of these cases we expect that any potential liability would be the responsibility of our equipment vendors pursuant to applicable contractual indemnification provisions. Further, in certain of these cases, suppliers of equipment to DIRECTV are also defendants, and DIRECTV has contractual obligations to indemnify and hold harmless those suppliers in those cases. To the extent that the allegations in these lawsuits can be analyzed by us at this stage of their proceedings, we believe the claims are without merit and intend to defend the actions vigorously. We have determined the likelihood of a material liability in such matters is remote or have made appropriate accruals and the final disposition of these claims is not expected to have a material effect on our consolidated financial position. However, if an adverse ruling is made in a lawsuit involving key intellectual property, such ruling could possibly be material to our consolidated results of operations of any one period. No assurance can be given that any adverse outcome would not be material to our consolidated financial position.

State and Federal Inquiries. From time to time, we receive investigative inquiries or subpoenas from state and federal authorities with respect to alleged violations of state and federal statutes. These inquiries may lead to legal proceedings in some cases.

FTC Investigation. As reported previously, DIRECTV U.S. received a request for information from the Federal Trade Commission, or FTC, on issues similar to those resolved in 2011 with a multistate group of state attorneys general. We have been cooperating with the FTC by providing information about our sales and marketing practices and customer complaints. We have engaged in ongoing negotiations with FTC staff concerning these issues. The FTC staff has recently advised us that they have obtained authority from the Commissioners to file suit and that the damages sought by the FTC in such a proceeding could be substantial. However, until suit is filed, the parties are continuing to engage in discussion regarding a potential settlement.

Waste Disposal Inquiry. In August 2012, DIRECTV U.S. received from the State of California subpoenas and interrogatories related to our generation, handling, record keeping, transportation and disposal of hazardous waste, including universal waste, in the State of California, and the training of employees regarding the same. The investigation is jointly conducted by the Office of the Attorney General and the District Attorney for Alameda County and appears to be part of a broader effort to investigate waste handling and disposal processes of a number of industries. We are continuing to review our policies and procedures applicable to all facilities and cooperating with the investigation.

Other. We are subject to other legal proceedings and claims that arise in the ordinary course of our business. The amount of ultimate liability with respect to such actions is not expected to materially affect our financial position, results of operations or liquidity.

(b) The following previously reported legal proceeding was terminated during the fourth quarter ended December 31, 2014.

DIRECTV Shareholder Litigation-Proposed DIRECTV and AT&T Merger. As previously reported, beginning on May 21, 2014, and following the May 18, 2014 announcement that DIRECTV had entered into a definitive agreement to combine with AT&T Inc., several shareholder putative class action lawsuits were filed, six in Delaware Chancery Court, or the Delaware Actions, and one in California Superior Court, or the California Action, against DIRECTV, its directors and AT&T Inc., alleging breach of fiduciary duties in connection with the proposed transaction. The complaints generally and collectively asserted that defendants failed to maximize the value of DIRECTV, and sought to enjoin the proposed transaction as well as unspecified damages, costs and fees. An Order consolidating the Delaware Actions and appointing Lead Plaintiff and Lead Counsel was entered on July 21, 2014 and discovery in the Delaware Actions was stayed pending the filing of a Consolidated Complaint. Subsequently, Lead Counsel in the Delaware Actions filed a motion to voluntarily dismiss the Delaware Actions against all defendants and that motion was granted by order entered by the Chancery Court on October 28, 2014. The California Action subsequently has been voluntarily dismissed by plaintiff effective February 9, 2015.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Price

Our common stock is publicly traded on the NASDAQ Global Select Market under the symbol "DTV." The following table sets forth for the quarters indicated the high and low sales prices for our common stock, as reported on the NASDAQ Global Select Market.

2014	High	Low
Fourth Quarter	$ 88.08	$ 82.04
Third Quarter	88.25	83.14
Second Quarter	89.46	73.54
First Quarter	80.77	67.80

2013	High	Low
Fourth Quarter	$ 69.15	$ 57.40
Third Quarter	67.85	57.05
Second Quarter	65.81	53.50
First Quarter	57.64	47.71

As of the close of business on February 13, 2015, there were 42,995 holders of record of our common stock.

Dividend Rights and Other Stockholder Matters

Holders of our common stock are entitled to such dividends and other distributions in cash, stock or property as may be declared by our Board of Directors in its sole discretion, subject to the preferential and other dividend rights of any outstanding series of our preferred stock. There were no shares of our preferred stock outstanding at December 31, 2014.

No dividends on our common stock have been declared by our Board of Directors for more than five years. We have no current plans to pay any dividends on our common stock. We currently expect to use our future earnings, if any, for the development of our businesses or other corporate purposes, which may include share repurchases.

Information regarding compensation plans under which our equity securities may be issued will be included in an amendment to be filed on Form 10-K/A not later than April 30, 2015.

Share Repurchase Program

Since 2006 our Board of Directors has approved multiple authorizations for the repurchase of our common stock. In February 2014 our Board of Directors approved a new authorization for up to $3.5 billion for repurchases of our common stock. On May 18, 2014, DIRECTV and AT&T entered into a definitive agreement under which DIRECTV will combine with AT&T in a stock-and-cash transaction. As a result, we have suspended the share repurchase program and agreed to not purchase, repurchase, redeem or otherwise acquire any shares of our capital stock without AT&T's consent unless the Merger Agreement is terminated.

During the three months ended December 31, 2014 there were no share repurchases.

For additional information regarding our share repurchases see Note 15 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report.

ITEM 6. SELECTED FINANCIAL DATA

	Years Ended December 31, 2014	2013	2012	2011	2010
	(Dollars in Millions, Except Per Share Amounts)				
Consolidated Statements of Operations Data:					
Revenues	$ 33,260	$ 31,754	$ 29,740	$ 27,226	$ 24,102
Total operating costs and expenses	28,132	26,604	24,655	22,597	20,206
Operating profit	$ 5,128	$ 5,150	$ 5,085	$ 4,629	$ 3,896
Net income attributable to DIRECTV	$ 2,756	$ 2,859	$ 2,949	$ 2,609	$ 2,198
Basic earnings attributable to DIRECTV common stockholders per common share	$ 5.46	$ 5.22	$ 4.62	$ 3.49	$ 2.31
Diluted earnings attributable to DIRECTV common stockholders per common share	$ 5.40	$ 5.17	$ 4.58	$ 3.47	$ 2.30
Basic and diluted earnings attributable to DIRECTV Class B common stockholders per common share, for the period of November 19, 2009 through June 16, 2010, including $160 million exchange inducement value for the Malone Transaction	$ —	$ —	$ —	$ —	$ 8.44
Weighted average number of common shares outstanding (in millions):					
Basic	505	548	638	747	870
Diluted	510	553	644	752	876
Weighted average number of Class B common shares outstanding, for the period of November 19, 2009 through June 16, 2010 (in millions):					
Basic	—	—	—	—	22
Diluted	—	—	—	—	22
Weighted average number of total common shares outstanding (in millions):					
Basic	505	548	638	747	880
Diluted	510	553	644	752	886

	As of December 31, 2014	2013	2012	2011	2010
	(Dollars in Millions)				
Consolidated Balance Sheets Data:					
Total assets	$ 25,459	$ 21,905	$ 20,555	$ 18,423	$ 17,909
Obligations under capital leases	982	495	528	545	580
Long-term debt	19,485	18,284	17,170	13,464	10,472
Total stockholders' deficit	(4,828)	(6,544)	(5,431)	(3,107)	(194)

See the Notes to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information regarding significant transactions during each of the three years in the period ended December 31, 2014.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT FOR PURPOSE OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Annual Report on Form 10-K may contain certain statements that we believe are, or may be considered to be, "forward-looking statements" within the meaning of various provisions of the Securities Act of 1933 and of the Securities Exchange Act of 1934. These forward-looking statements generally can be identified by use of statements that include phrases such as we "believe," "expect," "estimate," "anticipate," "intend," "plan," "foresee," "project" or other similar references to future periods. Examples of forward-looking statements include, but are not limited to, statements we make related to our business strategy and regarding our outlook for 2015 financial results, liquidity and capital resources.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include economic, business, competitive, national or global political, market and regulatory conditions and other risks, each of which is described in more detail in Item 1A—Risk Factors of this Annual Report.

Any forward looking statement made by us in this Annual Report on Form 10-K speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may occur and it is not possible for us to predict them all. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

CONTENTS

The following is a discussion of our results of operations and financial condition. This discussion should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report. Information in this section is organized as follows:

DIRECTV

SUMMARY RESULTS OF OPERATIONS AND FINANCIAL CONDITION

	Years Ended December 31, 2014	2013	2012
	(Dollars in Millions, Except Per Share Amounts)		
Consolidated Statements of Operations Data:			
Revenues	$ 33,260	$ 31,754	$ 29,740
Total operating costs and expenses	28,132	26,604	24,655
Operating profit	5,128	5,150	5,085
Interest income	68	72	59
Interest expense	(898)	(840)	(842)
Other, net	150	106	140
Income before income taxes	4,448	4,488	4,442
Income tax expense	(1,673)	(1,603)	(1,465)
Net income	2,775	2,885	2,977
Less: Net income attributable to noncontrolling interest	(19)	(26)	(28)
Net income attributable to DIRECTV	$ 2,756	$ 2,859	$ 2,949
Basic earnings attributable to DIRECTV per common share	$ 5.46	$ 5.22	$ 4.62
Diluted earnings attributable to DIRECTV per common share	$ 5.40	$ 5.17	$ 4.58
Weighted average number of total common shares outstanding (in millions):			
Basic	505	548	638
Diluted	510	553	644

	December 31, 2014	2013
	(Dollars in Millions)	
Consolidated Balance Sheets Data:		
Cash and cash equivalents	$ 4,635	$ 2,180
Total current assets	8,819	5,953
Total assets	25,459	21,905
Total current liabilities	6,959	6,530
Long-term debt	19,485	18,284
Redeemable noncontrolling interest	—	375
Total stockholders' deficit	(4,828)	(6,544)

Reference should be made to the notes to the Consolidated Financial Statements.

SUMMARY RESULTS OF OPERATIONS AND FINANCIAL CONDITION—(continued)

	Years Ended December 31, 2014	2013	2012
	(Dollars in Millions)		
Other Data:			
Operating profit before depreciation and amortization (1)			
Operating profit	$ 5,128	$ 5,150	$ 5,085
Add: Depreciation and amortization expense	2,943	2,828	2,437
Operating profit before depreciation and amortization	$ 8,071	$ 7,978	$ 7,522
Operating profit before depreciation and amortization margin	24.3%	25.1%	25.3%
Cash flow information			
Net cash provided by operating activities	$ 6,369	$ 6,394	$ 5,634
Net cash used in investing activities	(3,363)	(3,753)	(3,363)
Net cash used in financing activities	(168)	(2,176)	(1,242)
Free cash flow (2)			
Net cash provided by operating activities	$ 6,369	$ 6,394	$ 5,634
Less: Cash paid for property and equipment	(2,940)	(3,409)	(2,960)
Less: Cash paid for satellites	(285)	(377)	(389)
Free cash flow	$ 3,144	$ 2,608	$ 2,285

(1) Operating profit before depreciation and amortization, which is a financial measure that is not determined in accordance with accounting principles generally accepted in the United States of America, or GAAP, can be calculated by adding amounts under the caption "Depreciation and amortization expense" to "Operating profit." This measure should be used in conjunction with GAAP financial measures and is not presented as an alternative measure of operating results, as determined in accordance with GAAP. Our management and our Board of Directors use operating profit before depreciation and amortization to evaluate the operating performance of our company and our business segments and to allocate resources and capital to business segments. This metric is also used as a measure of performance for incentive compensation purposes and to measure income generated from operations that could be used to fund capital expenditures, service debt or pay taxes. Depreciation and amortization expense primarily represents an allocation to current expense of the cost of historical capital expenditures and for acquired intangible assets resulting from prior business acquisitions. To compensate for the exclusion of depreciation and amortization expense from operating profit, our management and our Board of Directors separately measure and budget for capital expenditures and business acquisitions.

We believe this measure is useful to investors, along with GAAP measures (such as revenues, operating profit and net income), to compare our operating performance to other communications, entertainment and media service providers. We believe that investors use current and projected operating profit before depreciation and amortization and similar measures to estimate our current or prospective enterprise value and make investment decisions. This metric provides investors with a means to compare operating results exclusive of depreciation and amortization expense. Our management believes this is useful given the significant variation in depreciation and amortization expense that can result from the timing of capital expenditures, the capitalization of intangible assets, potential variations in expected useful lives when compared to other companies and periodic changes to estimated useful lives.

Operating profit before depreciation and amortization margin is calculated by dividing Operating profit before depreciation and amortization by Revenues.

SUMMARY RESULTS OF OPERATIONS AND FINANCIAL CONDITION—(continued)

(2) Free cash flow, which is a financial measure that is not determined in accordance with GAAP, can be calculated by deducting amounts under the captions "Cash paid for property and equipment" and "Cash paid for satellites" from "Net cash provided by operating activities" from the Consolidated Statements of Cash Flows. This financial measure should be used in conjunction with other GAAP financial measures and is not presented as an alternative measure of cash flows from operating activities, as determined in accordance with GAAP. Our management and our Board of Directors use free cash flow to evaluate the cash generated by our current subscriber base, net of capital expenditures, for the purpose of allocating resources to activities such as adding new subscribers, retaining and upgrading existing subscribers, for additional capital expenditures and other capital investments or transactions and as a measure of performance for incentive compensation purposes. We believe this measure is useful to investors, along with other GAAP measures (such as cash flows from operating and investing activities), to compare our operating performance to other communications, entertainment and media service providers. We believe that investors also use current and projected free cash flow to determine the ability of revenues from our current and projected subscriber base to fund required and discretionary spending and to help determine our financial value.

DIRECTV

SUMMARY RESULTS OF OPERATIONS AND FINANCIAL CONDITION—(continued)

Selected Segment Data

	Revenues	Percent of Total Revenues	Operating Profit (Loss)	Depreciation and Amortization Expense	Operating Profit (Loss) Before Depreciation and Amortization	Operating Profit Margin	Operating Profit Before Depreciation and Amortization Margin
	(Dollars in Millions)						
December 31, 2014							
DIRECTV U.S.	$26,001	78.2%	$ 4,749	$ 1,722	$ 6,471	18.3%	24.9%
Sky Brasil	3,887	11.7%	488	687	1,175	12.6%	30.2%
PanAmericana and Other	3,174	9.5%	(46)	520	474	NM*	14.9%
DIRECTV Latin America	7,061	21.2%	442	1,207	1,649	6.3%	23.4%
Sports Networks, Eliminations and Other	198	0.6%	(63)	14	(49)	NM*	NM*
Total	$33,260	100.0%	$ 5,128	$ 2,943	$ 8,071	15.4%	24.3%
December 31, 2013							
DIRECTV U.S.	$24,676	77.7%	$ 4,444	$ 1,640	$ 6,084	18.0%	24.7%
Sky Brasil	3,753	11.8%	529	723	1,252	14.1%	33.4%
PanAmericana and Other	3,091	9.8%	247	444	691	8.0%	22.4%
DIRECTV Latin America	6,844	21.6%	776	1,167	1,943	11.3%	28.4%
Sports Networks, Eliminations and Other	234	0.7%	(70)	21	(49)	NM*	NM*
Total	$31,754	100.0%	$ 5,150	$ 2,828	$ 7,978	16.2%	25.1%
December 31, 2012							
DIRECTV U.S.	$23,235	78.1%	$ 4,153	$ 1,501	$ 5,654	17.9%	24.3%
Sky Brasil	3,501	11.8%	555	533	1,088	15.9%	31.1%
PanAmericana and Other	2,743	9.2%	400	374	774	14.6%	28.2%
DIRECTV Latin America	6,244	21.0%	955	907	1,862	15.3%	29.8%
Sports Networks, Eliminations and Other	261	1.0%	(23)	29	6	NM*	NM*
Total	$29,740	100.0%	$ 5,085	$ 2,437	$ 7,522	17.1%	25.3%

* Percentage not meaningful.

SUMMARY RESULTS OF OPERATIONS AND FINANCIAL CONDITION—(continued)

The following represents additional selected information for our operating segments as of and for the year ended:

	Segment Assets	Capital Expenditures
	(Dollars in Millions)	
December 31, 2014		
DIRECTV U.S.	$ 16,719	$ 1,757
Sky Brasil	2,654	867
PanAmericana and Other	4,671	580
DIRECTV Latin America	7,325	1,447
Sports Networks, Eliminations and Other	1,415	21
Total	$ 25,459	$ 3,225
December 31, 2013		
DIRECTV U.S.	$ 13,446	$ 2,050
Sky Brasil	2,854	961
PanAmericana and Other	4,004	759
DIRECTV Latin America	6,858	1,720
Sports Networks, Eliminations and Other	1,601	16
Total	$ 21,905	$ 3,786
December 31, 2012		
DIRECTV U.S.	$ 12,490	$ 1,741
Sky Brasil	2,951	812
PanAmericana and Other	3,335	786
DIRECTV Latin America	6,286	1,598
Sports Networks, Eliminations and Other	1,779	10
Total	$ 20,555	$ 3,349

SIGNIFICANT EVENTS AFFECTING THE COMPARABILITY OF THE RESULTS OF OPERATIONS

Venezuelan Devaluation and Foreign Currency Exchange Controls

Companies operating in Venezuela are required to obtain Venezuelan government approval to exchange Venezuelan bolivars into U.S. dollars and such approval has not consistently been granted for several years. Consequently, our ability to pay U.S. dollar denominated obligations and repatriate cash generated in Venezuela in excess of local operating requirements is limited, which has resulted in increases in the cash balance at our Venezuelan subsidiary, and limited our ability to import set-top receivers and other equipment, limiting the growth of our business in Venezuela.

In February 2013, the Venezuelan government announced a devaluation of the Venezuelan bolivar from the official exchange rate of 4.3 Venezuelan bolivars per U.S. dollar to an official rate of 6.3 Venezuelan bolivars per U.S. dollar. As a result of the devaluation, we recorded a pre-tax charge in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations of $166 million ($136 million after tax) in the first quarter of 2013, related to the remeasurement of the bolivar denominated net monetary assets of our Venezuelan subsidiary as of the date of the devaluation.

In the first quarter of 2013, the Venezuelan government announced a new currency exchange system, the Sistema Complementario de Administración de Divisas, or SICAD 1, which is intended to function as an auction system for participants to exchange Venezuelan bolivars for U.S. dollars. The volume of amounts exchanged through such SICAD 1 system and the resulting exchange rate are published by the Venezuelan Central Bank. Effective January 24, 2014, the Venezuelan government announced that dividends and royalties would be subject to the SICAD 1 program. The SICAD 1 exchange rate, which was 12.0 Venezuelan bolivars per U.S. dollar as of December 31, 2014, is determined by periodic auctions. In February 2014, the Venezuelan government announced SICAD 2, which is an exchange mechanism that became available on March 24, 2014. The exchange rate for SICAD 2 was 49.99 Venezuelan bolivars per U.S. dollar as of December 31, 2014. Additionally, in February 2015, the Venezuelan government announced that the SICAD 2 exchange mechanism would no longer be available and created SIMADI, a new open market currency exchange system.

We currently believe the SICAD 1 rate is the most representative rate to use for remeasurement, as the official rate of 6.3 Venezuelan bolivars per U.S. dollar will likely be reserved only for the settlement of U.S. dollar denominated obligations related to purchases of "essential goods and services," and the equity of our Venezuelan subsidiary would be realized, if at all, through permitted dividends paid at the SICAD 1 rate. Therefore, as of December 31, 2014, we are continuing to remeasure our Venezuelan subsidiary's financial statements in U.S. dollars using the exchange rate determined by periodic auctions under SICAD 1, which was 12.0 Venezuelan bolivars per U.S. dollar. Prior to March 31, 2014, we used the official exchange rate of 6.3 Venezuelan bolivars per U.S. dollar. As a result of the devaluation, we recorded a pre-tax charge in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations of $281 million in the first quarter of 2014, related to the remeasurement of the bolivar denominated net monetary assets of our Venezuelan subsidiary on March 31, 2014.

As of December 31, 2014, our Venezuelan subsidiary had Venezuelan bolivar denominated net monetary assets of $481 million, including cash of $481 million, based on the SICAD 1 exchange rate of 12.0 Venezuelan bolivars per U.S. dollar. In 2014, our Venezuelan subsidiary generated revenues of approximately $900 million and operating profit before depreciation and amortization of approximately $400 million, excluding the impact of the $281 million Venezuelan devaluation charge, as well as the impact of additional exchange rate losses in Venezuela recorded during 2014. The exchange rate used to report net monetary assets and operating results of our Venezuelan subsidiary is currently based on the results of periodic SICAD 1 auctions, which is expected to result in fluctuations in reported amounts that could be material to the results of operations in Venezuela in future periods and could materially affect the comparability of results for our Venezuelan subsidiary between periods. The comparability of our results of operations and financial position in Venezuela will also be affected in the event of additional changes to the currency exchange rate system, further devaluations of the Venezuelan

bolivar or if we determine in the future that a rate other than the SICAD 1 rate is appropriate for the remeasurement of our Venezuelan bolivar denominated net monetary assets.

Foreign Currency Exchange Rates

The comparability of our results of operations is impacted by fluctuations in foreign currency exchange rates and the volatility of those foreign currencies has an ongoing impact to our operating results. See "Foreign Currency Risk" in Item 7A "Quantitative and Qualitative Disclosures About Market Risk" for further information.

ECAD

As previously reported, Escritorio Central de Arrecadacao, or ECAD, the organization responsible for collecting performance rights fees under Brazilian law, had outstanding claims against Sky Brasil, along with other video distributors in Brazil. In the third quarter of 2013, Sky Brasil entered into an agreement with ECAD whereby Sky Brasil agreed to settle all claims for the period from 2004 through December 31, 2013 for a cash payment of $92 million in September 2013. As a result of this settlement, Sky Brasil recognized a $128 million pre-tax gain from the reversal of amounts previously accrued during such period, of which $70 million was recorded as a reduction in "Broadcast programming and other", $37 million was recorded as a reduction in "Interest expense" and $21 million was recorded in "Other, net" in the Consolidated Statements of Operations.

Divestitures

On April 16, 2013, DSN transferred 100% of its interest in DSN Northwest to NW Sports Net LLC. Upon completion of the transaction, the Seattle Mariners have a majority interest in NW Sports LLC and DSN retains a noncontrolling interest, which we account for using the equity method of accounting. Additionally, DSN provides management oversight and programming services to NW Sports Net LLC as part of management service agreements entered into as part of this transaction. As a result of this transaction, we deconsolidated DSN Northwest and recorded a non-cash, pre-tax charge of approximately $59 million ($56 million after tax) in "Other, net" in the Consolidated Statements of Operations.

In December 2012, we sold an 18% interest in GSN to our equity partner for $234 million, reducing our ownership interest from 60% to 42%. We recognized a pre-tax gain of $111 million ($68 million after tax) on the sale in "Other, net" in the Consolidated Statements of Operations.

For additional information regarding the sale of investments, refer to Note 8 of the Notes to the Consolidated Financial Statements in Item 8, Part II of this Annual Report.

Share Repurchase Program

Since 2006 our Board of Directors has approved multiple authorizations for the repurchase of our common stock. In February 2014 our Board of Directors approved a new authorization for up to $3.5 billion for repurchases of our common stock. On May 18, 2014 DIRECTV and AT&T entered into a definitive agreement, under which AT&T would combine with DIRECTV in a stock and cash transaction. As a result, we have suspended the share repurchase program and agreed to not purchase, repurchase, redeem or otherwise acquire any shares of our capital stock during the pendency of the proposed transaction and without AT&T's consent.

The following table sets forth information regarding shares repurchased and retired during the periods presented:

	2014	2013	2012
	(Amounts in Millions, Except Per Share Amounts)		
Total cost of repurchased and retired shares	$ 1,386	$ 4,000	$ 5,148
Average price per share	$ 73.82	$ 57.54	$ 48.24
Number of shares repurchased and retired	19	70	107

AT&T Merger-Related Costs

On May 18, 2014, DIRECTV and AT&T Inc., or AT&T, announced that they entered into a definitive agreement under which DIRECTV will combine with AT&T in a stock and cash transaction. The Agreement and Plan of Merger, which was included as Exhibit 2.1 to the Form 8-K filed with the SEC on May 19, 2014, or the Merger Agreement, was approved unanimously by the Board of Directors of each company and was approved by our stockholders at a special meeting held on September 25, 2014.

In connection with the proposed merger, we recognized costs of $72 million for the year ended December 31, 2014 in "General and administrative expenses" in the Consolidated Statements of Operations, primarily related to professional services fees. These costs are reported in the "Sports Networks, Eliminations and Other" segment.

KEY TERMINOLOGY

Revenues. We earn revenues mostly from monthly fees we charge subscribers for subscriptions to basic and premium channel programming, advanced receiver fees (which include HD, DVR and multi-room viewing), seasonal live sporting events and pay-per-view programming. We also earn revenues from monthly fees we charge subscribers for multiple set-top receivers, hardware revenues from subscribers who lease or purchase set-top receivers from us, warranty service fees and advertising services. Revenues are reported net of customer credits and discounted promotions.

Broadcast Programming and Other. These costs primarily include license fees for subscription service programming, pay-per-view programming, seasonal live sporting and other events. Other costs include continuing service fees paid to third parties for active subscribers and warranty service costs.

Subscriber Service Expenses. Subscriber service expenses include the costs of customer call centers, billing, remittance processing and service calls.

Broadcast Operations Expenses. These expenses include broadcast center operating costs, signal transmission expenses (including costs of collecting signals for our local channel offerings), and costs of monitoring, maintaining and insuring our satellites. Also included are engineering expenses associated with deterring theft of our signal.

Subscriber Acquisition Costs. These costs include the cost of set-top receivers and other equipment, commissions we pay to national retailers, independent satellite television retailers, dealers and telcos, and the cost of installation, advertising, marketing and customer call center expenses associated with the acquisition of new subscribers. Set-top receivers leased to new subscribers are capitalized in "Property and equipment, net" in the Consolidated Balance Sheets and depreciated over their useful lives. In certain countries in Latin America, where our customer agreements provide for the lease of the entire DIRECTV or SKY System, we also capitalize the costs of the other customer premises equipment and related installation costs. The amount of set-top receivers capitalized each period for subscriber acquisitions is included in "Cash paid for property and equipment" in the Consolidated Statements of Cash Flows.

Upgrade and Retention Costs. Upgrade and retention costs are associated with upgrade efforts for existing subscribers that we believe will result in higher average monthly revenue per subscriber, or ARPU, and lower churn. Our upgrade efforts include subscriber equipment upgrade programs for advanced receivers and similar initiatives. Retention costs also include the costs of installing and providing hardware under our movers program for subscribers relocating to a new residence. Set-top receivers leased to existing subscribers under upgrade and retention programs are capitalized in "Property and equipment, net" in the Consolidated Balance Sheets and depreciated over their estimated useful lives. The amount of set-top receivers capitalized each period for upgrade and retention programs is included in "Cash paid for property and equipment" in the Consolidated Statements of Cash Flows.

General and Administrative Expenses. General and administrative expenses include departmental costs for legal, administrative services, finance, marketing and information technology. These costs also include expenses for bad debt and other operating expenses, such as legal settlements, and gains or losses from the sale or disposal of fixed assets.

Average Monthly Revenue Per Subscriber. We calculate ARPU by dividing average monthly revenues, net of customer credits and discounted promotions, for the period (total revenues during the period divided by the number of months in the period) by average subscribers for the period. We calculate average subscribers for the period by adding the number of subscribers as of the beginning of the period and for each quarter end in the current year or period and dividing by the sum of the number of quarters in the period plus one.

Average Monthly Subscriber Churn. Average monthly subscriber churn represents the number of subscribers whose service is disconnected, expressed as a percentage of the average total number of subscribers. We calculate average monthly subscriber churn by dividing the average monthly number of disconnected subscribers for the period (total subscribers disconnected, net of reconnects, during the period divided by the number of months in the period) by average subscribers for the period.

Subscriber Count. The total number of subscribers represents the total number of subscribers actively subscribing to our service, including subscribers who have suspended their account for a particular season of the year because they are temporarily away from their primary residence and subscribers who are in the process of relocating and commercial equivalent viewing units.

SAC. We calculate SAC, which represents total subscriber acquisition costs stated on a per subscriber basis, by dividing total subscriber acquisition costs for the period by the number of gross new subscribers acquired during the period. We calculate total subscriber acquisition costs for the period by adding together "Subscriber acquisition costs" expensed during the period and the amount of cash paid for equipment leased to new subscribers during the period.

EXECUTIVE OVERVIEW AND OUTLOOK

Please refer to "Risk Factors" in Item 1A for a discussion of risks that may affect forecasted results of our business generally.

DIRECTV U.S. DIRECTV U.S. faces challenges related to the rapid advance of technology that provides consumers with more options both in and out of the home and an industry that is increasingly competitive. In addition, programming content providers are continuing to seek increased rates for their content that is well above inflation, making it more challenging to pass these costs through to our customers.

Revenue growth at DIRECTV U.S. has been generated by an increase in ARPU and growth of our subscriber base. In 2015, we expect revenue to increase in the mid-single digit percentage range driven primarily by ARPU growth. We also could experience a modest decline in our cumulative subscriber base in 2015, if the AT&T merger is not completed.

DIRECTV

In 2015, we expect operating profit before depreciation and amortization to grow in the low-single digit percentage range. We expect to continue to be challenged by rising broadcast programming costs; however we intend to manage the impact to our margins by raising prices, increasing the penetration of new and advanced services, as well as driving growth in ancillary revenues such as commercial and ad sales. We also expect to continue productivity improvements, which are expected to reduce costs and improve call center performance, field operations and customer satisfaction. We also expect a greater use of refurbished set-top boxes in 2015. As these costs are expensed, we expect lower margins but also lower capital expenditures.

We expect total capital expenditures in 2015 to decrease approximately $200 million at DIRECTV U.S from $1.75 billion in 2014, primarily due to a reduction in gross additions, a higher use of refurbished set-top receivers and lower set-top receiver costs.

DIRECTV Latin America. Some Latin American countries in which we operate continue to undergo a period of economic uncertainty. We remain committed to our strategy to profitably grow our business across the region in spite of these challenging macroeconomic conditions. Consistent with our strategy in 2014, we are focused on delivering market-leading advanced services for a growing premium subscriber base, and leveraging our scale to further penetrate and profitably serve the rapidly growing mass market. We also intend to improve productivity, while managing our capital investments and cost structure.

In 2015, we expect gross subscriber additions to decline to about 2 million in Brazil and between 1.5 million and 1.6 million in PanAmericana, excluding Venezuela, mainly due to the lack of the World Cup soccer tournament in 2015. The lower gross additions are expected to reduce net subscriber additions to about 500,000 at DIRECTV Latin America, excluding Venezuela, with net subscriber additions lower both at Sky Brasil and PanAmericana as compared to 2014.

Excluding the impact of $346 million in charges related to 2014 Venezuelan currency devaluation, as well as any future devaluation of the Venezuelan bolivar, we expect revenues and operating profit before depreciation and amortization to decline in the low-single digit percentage range in 2015. We have assumed further depreciation of some of the major currencies, but our results are highly volatile depending on changes in foreign currency exchange rates, particularly in Argentina, Brazil and Venezuela, as well as changes in the macroeconomic environment. We expect capital expenditures in Latin America to be approximately $1.45 billion, which includes capital expenditures related to subscribers, investments in upgrading DIRECTV Latin America's infrastructure, including satellites and related broadcast facilities, as well as strategic initiatives such as wireless broadband.

DIRECTV Consolidated. Excluding expected merger related costs in 2015, we anticipate earnings per common share to increase approximately ten percent from the $5.46 earnings per share reported in 2014 resulting mainly from higher operating profit, partially offset by increased income tax expenses. As discussed above, these estimates are highly volatile depending on changes in foreign currency exchange rates, as well as changes in the macroeconomic and political environment in Latin America.

We also anticipate free cash flow, or cash provided by operating activities less capital expenditures, to increase in the low single digit percentage range from the $3.1 billion generated in 2014, excluding expected merger related costs in 2015.

RESULTS OF OPERATIONS

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

DIRECTV U.S. Results of Operations

The following table provides operating results and a summary of key subscriber data for the DIRECTV U.S. segment:

	2014	2013	Change $	Change %
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 26,001	$ 24,676	$ 1,325	5.4%
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	12,343	11,616	727	6.3%
Subscriber service expenses	1,519	1,474	45	3.1%
Broadcast operations expenses	303	293	10	3.4%
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	2,853	2,642	211	8.0%
Upgrade and retention costs	1,276	1,350	(74)	(5.5)%
General and administrative expenses	1,236	1,217	19	1.6%
Depreciation and amortization expense	1,722	1,640	82	5.0%
Total operating costs and expenses	21,252	20,232	1,020	5.0%
Operating profit	$ 4,749	$ 4,444	$ 305	6.9%
Operating profit margin	18.3%	18.0%	—	—
Other data:				
Operating profit before depreciation and amortization	$ 6,471	$ 6,084	$ 387	6.4%
Operating profit before depreciation and amortization margin	24.9%	24.7%	—	—
Total number of subscribers (in thousands)	20,352	20,253	99	0.5%
ARPU	$ 106.94	$ 102.18	$ 4.76	4.7%
Average monthly subscriber churn %	1.52%	1.50%	—	1.3%
Gross subscriber additions (in thousands)	3,804	3,790	14	0.4%
Subscriber disconnections (in thousands)	3,705	3,621	84	2.3%
Net subscriber additions (in thousands)	99	169	(70)	(41.4)%
Average subscriber acquisition costs—per subscriber (SAC)	$ 883	$ 873	$ 10	1.1%
Capital expenditures:				
Property and equipment	$ 726	$ 648	$ 78	12.0%
Subscriber leased equipment—subscriber acquisitions	507	666	(159)	(23.9)%
Subscriber leased equipment—upgrade and retention	451	538	(87)	(16.2)%
Satellites	73	198	(125)	(63.1)%
Total capital expenditures	$ 1,757	$ 2,050	$ (293)	(14.3)%
Depreciation expense—subscriber leased equipment	$ 967	$ 922	$ 45	4.9%

Subscribers. In 2014, net subscriber additions decreased as compared to 2013 as slightly higher gross subscriber additions were offset by higher average monthly churn. The higher average monthly churn was

primarily due to a more competitive environment including an increased number of subscribers electing to eliminate MVPD services.

Revenues. DIRECTV U.S. revenues increased in 2014 as a result of higher ARPU and a larger subscriber base. The increase in ARPU resulted primarily from price increases on programming packages, higher advanced receiver service fees, higher fees for our enhanced warranty program, as well as higher ad sales and commercial revenues, partially offset by increased promotional offers for new and existing customers.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization increased in 2014 as compared to 2013 primarily due to higher revenues coupled with lower upgrade and retention costs, partially offset by higher broadcast programming and other costs and higher subscriber acquisition costs. Upgrade and retention costs decreased primarily due to lower equipment costs. Broadcast programming and other costs increased primarily due to annual program supplier rate increases. Subscriber acquisition costs increased primarily due to an increase in promotional offers targeted at higher quality subscribers and an increase in the use of refurbished equipment.

Operating profit before depreciation and amortization margin increased in 2014 as compared to 2013 primarily due to the higher revenues coupled with lower upgrade and retention costs, as well as slower relative growth in general and administrative expenses, partially offset by higher broadcast programming and other costs.

Operating profit. Operating profit and operating profit margin increased in 2014 compared to 2013 due to an increase in operating profit before depreciation and amortization and operating profit before depreciation and amortization margin, partially offset by an increase in depreciation and amortization expense due to higher total capitalized subscriber leased equipment.

DIRECTV

DIRECTV Latin America Results of Operations

The following table provides operating results and a summary of key subscriber data for the consolidated DIRECTV Latin America operations, which does not include Sky Mexico:

	2014	2013	Change $	Change %
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 7,061	$ 6,844	$ 217	3.2%
Operating profit before depreciation and amortization (1)	1,649	1,943	(294)	(15.1)%
Operating profit before depreciation and amortization margin (1)	23.4%	28.4%	—	—
Operating profit (1)	$ 442	$ 776	$ (334)	(43.0)%
Operating profit margin (1)	6.3%	11.3%	—	—
Other data:				
ARPU (2)	$ 48.39	$ 51.64	$ (3.25)	(6.3)%
Average monthly total subscriber churn % (2)	2.39%	2.37%	—	0.8%
Average monthly post paid subscriber churn % (2)	1.95%	2.10%	—	(7.1)%
Total number of subscribers (in thousands) (2) (3)	12,471	11,568	903	7.8%
Gross subscriber additions (in thousands) (3) (4)	4,395	4,382	13	0.3%
Net subscriber additions (in thousands) (2) (3) (4)	903	1,239	(336)	(27.1)%
Capital expenditures:				
Property and equipment	$ 254	$ 224	$ 30	13.4%
Subscriber leased equipment—subscriber acquisitions	666	923	(257)	(27.8)%
Subscriber leased equipment—upgrade and retention	337	409	(72)	(17.6)%
Satellites	190	164	26	15.9%
Total capital expenditures	$ 1,447	$ 1,720	$ (273)	(15.9)%

(1) Amounts include the impact of the Venezuelan devaluation charge of $281 million recorded in the first quarter of 2014 and $166 million recorded in the first quarter of 2013, as well as the ongoing impact of foreign currency exchange fluctuations.

(2) Based on the results of an internal investigation, we determined that, beginning in 2012, certain employees of Sky Brasil directed activities which were inconsistent with Sky Brasil's authorized policies for subscriber retention and churn management. These activities had the effect of artificially reducing churn and increasing the Sky Brasil subscriber base during portions of 2013. As a result, subscribers who would have previously ceased receiving Sky Brasil service were terminated as subscribers pursuant to Sky Brasil's authorized policies. We estimate that as of March 31, 2013, our subscriber count would have been approximately 200,000 lower than the number of subscribers previously reported if the identified improper actions had not been taken. See the Current Report on Form 8-K filed with the SEC on June 27, 2013 for further details.

(3) DIRECTV Latin America subscriber data excludes subscribers on the Sky Mexico platform.

(4) Gross and net subscriber additions exclude 1,000 subscribers acquired in transactions in Brazil during 2013.

Sky Brasil Results of Operations

The following table provides operating results and a summary of key subscriber data for the consolidated Sky Brasil operations:

	2014	2013	Change $	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 3,887	$ 3,753	$ 134	3.6%
Operating profit before depreciation and amortization	1,175	1,252	(77)	(6.2)%
Operating profit before depreciation and amortization margin	30.2%	33.4%	—	—
Operating profit	$ 488	$ 529	$ (41)	(7.8)%
Operating profit margin	12.6%	14.1%	—	—
Other data:				
ARPU	$ 58.35	$ 59.97	$ (1.62)	(2.7)%
Total number of subscribers (in thousands) (1)	5,643	5,371	272	5.1%
Total capital expenditures	$ 867	$ 961	$ (94)	(9.8)%

(1) See Note (2) on the table showing consolidated DIRECTV Latin America results of operations above.

Subscribers. In 2014, net subscriber additions of approximately 272,000 decreased as the higher gross subscriber additions were more than offset by higher subscriber disconnections associated with the larger subscriber base, as well as slightly higher average monthly total subscriber churn in 2014. The increase in gross subscriber additions was driven primarily by higher demand for FIFA World Cup. Average monthly subscriber churn increased due the introduction of the prepaid service, a reduction in credits to existing subscribers and challenging macroeconomic conditions, as well as the migration of key systems that impacted existing subscribers.

Revenues. Revenues increased in 2014 as compared to 2013 due to subscriber growth partially offset by a decrease in ARPU. The decrease in ARPU was primarily due to unfavorable exchange rates, partially offset by higher ARPU in local currency terms, which resulted from a reduction in promotional offers to subscribers and an increase in subscribers with advanced services.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization and operating profit before depreciation and amortization margin decreased in 2014 as compared to 2013, as the higher revenues were more than offset by higher broadcast programming and other costs mainly due to the settlement of the ECAD dispute. Also impacting operating profit before depreciation and amortization and operating profit before depreciation and amortization margin were higher expenses resulting from the introduction of a new broadband service and costs associated with the migration of key systems.

Operating profit. Operating profit and operating profit margin decreased in 2014 as compared to 2013, primarily due to the decrease in operating profit before depreciation expense and operating profit before depreciation expense margin partially offset by lower depreciation and amortization expense due to changes in foreign exchange rates.

PanAmericana and Other Results of Operations

The following table provides operating results and a summary of key subscriber data for the consolidated DIRECTV PanAmericana and Other operations:

	2014	2013	Change $	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 3,174	$ 3,091	$ 83	2.7%
Operating profit before depreciation and amortization (1)	474	691	(217)	(31.4)%
Operating profit before depreciation and amortization margin (1)	14.9%	22.4%	—	—
Operating profit (loss) (1)	$ (46)	$ 247	$ (293)	(118.6)%
Operating profit margin (1)	NM*	8.0%	—	—
Other data:				
ARPU	$ 40.03	$ 44.19	$ (4.16)	(9.4)%
Total number of subscribers (in thousands)	6,828	6,197	631	10.2%
Total capital expenditures	$ 580	$ 759	$ (179)	(23.6)%

* Percentage not meaningful.

(1) Amounts include the impact of the Venezuelan devaluation charges of $281 million recorded in the first quarter of 2014 and $166 million recorded in the first quarter of 2013, as well as the ongoing impact of foreign currency exchange fluctuations.

Subscribers. In 2014, net subscriber additions of 631,000 decreased primarily due to higher average monthly subscriber churn and lower gross subscriber additions. Gross subscriber additions decreased primarily from tighter sales filters resulting from challenging macroeconomic conditions. Average monthly subscriber churn increased slightly due to a higher mix of subscribers on the prepaid service.

Revenues. Revenues increased in 2014 as compared to 2013 due to subscriber growth, partially offset by a decrease in ARPU. The decrease in ARPU was primarily due to unfavorable exchange rates, primarily in Venezuela and Argentina and a higher penetration of mass market subscribers, partially offset by price increases and an increase in subscribers with advanced services.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization and operating profit before amortization margin decreased in 2014 as compared to 2013, primarily in Venezuela as a result of the $346 million devaluation charge of which $281 million was recorded in "Venezuelan currency devaluation charge" and $65 million was recorded in "General administrative expenses" in the Consolidated Statement of Operations related to the remeasurement of Venezuelan bolivar denominated net monetary assets in 2014 as compared to the $166 million charge recorded in "Venezuelan devaluation charge" in the Consolidated Statements of Operations in 2013. Also contributing to the decrease were unfavorable exchange rates in Argentina, as well as higher broadcast programming costs associated with special events, including the FIFA World Cup and the impact of inflation and the timing of price increases in Venezuela.

Operating profit. Operating profit and operating profit margin decreased in 2014 as compared to 2013, due to the decrease in operating profit before depreciation and amortization and operating profit before depreciation and amortization margin, as well as an increase in depreciation and amortization expense due to subscriber leased equipment and infrastructure costs capitalized over the last year.

DIRECTV Consolidated Other Income, Income Taxes and Net Income Attributable to Noncontrolling Interest

Interest income. Interest income was $68 million in 2014 and $72 million in 2013.

Interest expense. The increase in interest expense to $898 million in 2014 from $840 million in 2013 was a result of a higher average debt balance, partially offset by the settlement of the ECAD dispute in 2013. We capitalized interest costs of $35 million in 2014 and $41 million in 2013.

Other, net. The significant components of "Other, net" were as follows:

	2014	2013	Change
	(Dollars in Millions)		
Equity in earnings from unconsolidated affiliates (1)	$ 133	$ 198	$ (65)
Interest rate swap gain	39	—	39
Net gains from sale of investments	26	8	18
Net foreign currency transaction loss	(22)	(52)	30
Loss on early extinguishment of debt	(19)	—	(19)
Other	(4)	(3)	(1)
Fair-value loss on non-employee stock options	(3)	(7)	4
DSN Northwest deconsolidation charge	—	(59)	59
ECAD settlement gain	—	21	(21)
Total	$ 150	$ 106	$ 44

(1) Includes an increase in equity earnings from Sky Mexico of approximately $60 million related to the recognition of certain one-time tax benefits in 2013.

Income tax expense. We recognized income tax expense of $1,673 million in 2014 and $1,603 million in 2013. The effective tax rate for 2014 was 37.6% compared to 35.7% for 2013. The higher effective tax rate in 2014 is primarily attributable to the unfavorable tax impact of the Venezuela currency devaluation and benefits recorded in 2013 for the recognition of uncertain tax benefits due to the expiration of the statute of limitations in federal and foreign tax jurisdictions and the settlement of state-related matters.

Net income attributable to noncontrolling interest. Net income attributable to noncontrolling interest was $19 million in 2014 and $26 million in 2013.

Earnings Per Share

Earnings per share and weighted shares outstanding were as follows for the years ended December 31:

	2014	2013
Basic earnings attributable to DIRECTV per common share	$ 5.46	$ 5.22
Diluted earnings attributable to DIRECTV per common share	$ 5.40	$ 5.17
Weighted average number of common shares outstanding (in millions):		
Basic	505	548
Diluted	510	553

The increases in basic and diluted earnings per share were due to a reduction in weighted average shares outstanding resulting from our share repurchase program, partially offset by lower net income attributable to DIRECTV.

DIRECTV

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

DIRECTV U.S. Results of Operations

The following table provides operating results and a summary of key subscriber data for the DIRECTV U.S. segment:

	2013	2012	Change $	Change %
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 24,676	$ 23,235	$ 1,441	6.2%
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	11,616	10,743	873	8.1%
Subscriber service expenses	1,474	1,464	10	0.7%
Broadcast operations expenses	293	306	(13)	(4.2)%
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	2,642	2,673	(31)	(1.2)%
Upgrade and retention costs	1,350	1,253	97	7.7%
General and administrative expenses	1,217	1,142	75	6.6%
Depreciation and amortization expense	1,640	1,501	139	9.3%
Total operating costs and expenses	20,232	19,082	1,150	6.0%
Operating profit	$ 4,444	$ 4,153	$ 291	7.0%
Operating profit margin	18.0%	17.9%	—	—
Other data:				
Operating profit before depreciation and amortization	$ 6,084	$ 5,654	$ 430	7.6%
Operating profit before depreciation and amortization margin	24.7%	24.3%	—	—
Total number of subscribers (in thousands)	20,253	20,084	169	0.8%
ARPU	$ 102.18	$ 96.98	$ 5.20	5.4%
Average monthly subscriber churn %	1.50%	1.53%	—	(2.0)%
Gross subscriber additions (in thousands)	3,790	3,874	(84)	(2.2)%
Subscriber disconnections (in thousands)	3,621	3,675	(54)	(1.5)%
Net subscriber additions (in thousands)	169	199	(30)	(15.1)%
Average subscriber acquisition costs—per subscriber (SAC)	$ 873	$ 859	$ 14	1.6%
Capital expenditures:				
Property and equipment	$ 648	$ 541	$ 107	19.8%
Subscriber leased equipment—subscriber acquisitions	666	656	10	1.5%
Subscriber leased equipment—upgrade and retention	538	291	247	84.9%
Satellites	198	253	(55)	(21.7)%
Total capital expenditures	$ 2,050	$ 1,741	$ 309	17.7%
Depreciation expense—subscriber leased equipment	$ 922	$ 815	$ 107	13.1%

Subscribers. In 2013, net subscriber additions decreased due to lower gross subscriber additions associated with a continued focus on attaining higher quality subscribers, as well as a more challenging competitive environment and a decline in aggregate subscribers across the MVPD industry. This decrease was partially offset by lower average monthly subscriber churn in 2013. In 2012, average monthly churn was unfavorably impacted by a contract dispute with a large programmer that resulted in the removal of several channels from our service

for nine days. The lower average monthly churn was also due to a greater number of subscribers on contract commitments and auto-bill pay, as well as stricter credit policies in 2013.

Revenues. DIRECTV U.S. revenues increased in 2013 as a result of higher ARPU and the larger subscriber base. The increase in ARPU resulted primarily from higher advanced receiver service fees, price increases on programming packages, higher fees for our new enhanced warranty program, as well as higher commercial and ad sales revenues, partially offset by increased promotional offers to new and existing subscribers.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization increased in 2013 as compared to 2012 primarily due to higher revenues and lower subscriber acquisition costs, partially offset by higher broadcast programming and other costs, higher upgrade and retention costs and higher general and administrative costs. Subscriber acquisition costs decreased primarily due to the decrease in gross subscriber additions. SAC per subscriber, which includes the cost of capitalized set-top receivers, increased primarily due to an increase in subscriber demand for advanced products and higher marketing costs per subscriber added. Broadcast programming and other costs increased primarily due to annual program supplier rate increases, a larger subscriber base and increased costs associated with providing the expanded warranty program. Upgrade and retention costs increased in 2013 as compared to 2012 primarily due to a larger number of subscriber upgrades to advanced products related to customer loyalty initiatives. General and administrative costs increased primarily as a result of higher labor costs.

Operating profit before depreciation and amortization margin increased in 2013 as compared to 2012 driven by the incremental margin generated by higher revenues combined with lower subscriber acquisition costs and mostly unchanged subscriber service expenses. Subscriber service expenses remained relatively unchanged due to continued improvement and efficiency initiatives. These margin improvements were partially offset by relatively higher broadcast programming costs mostly related to annual supplier rate increases.

Operating profit. Operating profit and operating profit margin increased in 2013 compared to 2012 due to an increase in operating profit before depreciation and amortization and operating profit before depreciation and amortization margin, partially offset by an increase in depreciation and amortization expense due to higher total capitalized subscriber leased equipment.

DIRECTV Latin America Results of Operations

The following table provides operating results and a summary of key subscriber data for the consolidated DIRECTV Latin America operations:

	2013	2012	Change $	Change %
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 6,844	$ 6,244	$ 600	9.6%
Operating profit before depreciation and amortization	1,943	1,862	81	4.4%
Operating profit before depreciation and amortization margin	28.4%	29.8%	—	—
Operating profit	$ 776	$ 955	$ (179)	(18.7)%
Operating profit margin	11.3%	15.3%	—	—
Other data:				
ARPU	$ 51.64	$ 57.25	$ (5.61)	(9.8)%
Average monthly total subscriber churn %	2.37%	1.81%	—	30.9%
Average monthly post-paid subscriber churn %	2.10%	1.50%	—	40.0%
Total number of subscribers (in thousands) (1) (2)	11,568	10,328	1,240	12.0%
Gross subscriber additions (in thousands) (1) (2)	4,382	4,417	(35)	(0.8)%
Net subscriber additions (in thousands) (1) (2)	1,239	2,439	(1,200)	(49.2)%
Capital expenditures:				
Property and equipment	$ 224	$ 214	$ 10	4.7%
Subscriber leased equipment—subscriber acquisitions	923	837	86	10.3%
Subscriber leased equipment—upgrade and retention	409	419	(10)	(2.4)%
Satellites	164	128	36	28.1%
Total capital expenditures	$ 1,720	$ 1,598	$ 122	7.6%

(1) These amounts include the impact of the $166 million Venezuelan devaluation charge and the ongoing impact of foreign currency exchange rate fluctuations.

(2) Based on the results of an internal investigation, we have determined that, beginning in 2012, certain employees of Sky Brasil directed activities which are inconsistent with Sky Brasil's authorized policies for subscriber retention and churn management. These activities had the effect of artificially reducing churn and increasing the Sky Brasil subscriber base during portions of 2012 and 2013. As a result, subscribers who would have previously ceased receiving Sky Brasil service have been terminated as subscribers pursuant to Sky Brasil's authorized policies. We estimate that as of March 31, 2013, our subscriber count would have been approximately 200,000 lower than the number of subscribers previously reported if the identified improper actions had not been taken. See the Current Report on Form 8-K filed with the SEC on June 27, 2013 for further details. Prior year results for subscribers, churn and ARPU have not been adjusted for the findings of this investigation.

(3) DIRECTV Latin America subscriber data exclude the subscribers of the Sky Mexico platform.

(4) Gross and net subscriber additions exclude 1,000 subscribers acquired in transactions in Brazil during 2013 and 18,000 subscribers acquired in transactions in Brazil during 2012.

Sky Brasil Results of Operations

The following table provides operating results and a summary of key subscriber data for the consolidated Sky Brasil operations:

	2013	2012	Change $	Change %
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 3,753	$ 3,501	$ 252	7.2%
Operating profit before depreciation and amortization	1,252	1,088	164	15.1%
Operating profit before depreciation and amortization margin	33.4%	31.1%	—	—
Operating profit	$ 529	$ 555	$ (26)	(4.7)%
Operating profit margin	14.1%	15.9%	—	—
Other data:				
ARPU	$ 59.97	$ 65.68	$ (5.71)	(8.7)%
Total number of subscribers (in thousands) (1)	5,371	5,038	333	6.6%
Total capital expenditures	$ 961	$ 812	$ 149	18.3%

(1) See Note (2) on the table showing consolidated DIRECTV Latin America results of operations above.

Subscribers. In 2013, net subscriber additions decreased due to higher average monthly subscriber churn in 2013. Average monthly total subscriber churn increased related to the improper crediting of certain subscriber accounts and associated corrective actions described above, as well as challenging economic and competitive conditions. The higher average monthly subscriber churn was also impacted by the effect of a higher mix of mass market subscribers in 2013.

Revenues. Revenues increased in 2013 as compared to 2012 due to subscriber growth partially offset by a decrease in ARPU. The decrease in ARPU was primarily due to unfavorable exchange rates and the effect of increased penetration of lower ARPU mass market subscribers, partially offset by price increases and a higher number of upgrades, including advanced services.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization increased in 2013 as compared to 2012, primarily due to higher revenues and the settlement of the ECAD dispute, partially offset by higher broadcast programming costs related to the larger subscriber base. Also impacting operating profit before depreciation and amortization were higher subscriber service expenses related to the larger subscriber base.

Operating profit before depreciation and amortization margin increased in 2013 as compared to 2012, driven by the incremental margin generated by higher revenues and lower relative broadcast programming and other costs, primarily related to the settlement of the ECAD dispute.

Operating profit. Operating profit and operating profit margin decreased in 2013 as compared to 2012, as the increase in operating profit before depreciation and amortization was offset by an increase in depreciation and amortization expense due to higher total capitalized subscriber leased equipment and installation and higher depreciation expense associated with the higher monthly average total subscriber churn discussed above.

DIRECTV

PanAmericana and Other Results of Operations

The following table provides operating results and a summary of key subscriber data for the consolidated DIRECTV PanAmericana and Other operations:

	2013	2012	Change $	Change %
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 3,091	$ 2,743	$ 348	12.7%
Operating profit before depreciation and amortization (1)	691	774	(83)	(10.7)%
Operating profit before depreciation and amortization margin (1)	22.4%	28.2%	—	—
Operating profit (1)	$ 247	$ 400	$ (153)	(38.3)%
Operating profit margin (1)	8.0%	14.6%	—	—
Other data:				
ARPU	$ 44.19	$ 49.24	$ (5.05)	(10.3)%
Total number of subscribers (in thousands)	6,197	5,291	906	17.1%
Total capital expenditures	$ 759	$ 786	$ (27)	(3.4)%

(1) Amounts include the impact of the Venezuelan devaluation charge of $166 million recorded in the first quarter of 2013.

Subscribers. In 2013, net subscriber additions decreased primarily due to lower gross subscriber additions combined with higher average monthly subscriber churn in 2013. The decrease in gross subscriber additions was due to certain limitations on importing set-top receivers for new subscribers in Venezuela, as well as lower gross subscriber additions in Argentina associated with a more challenging economic environment. This decrease in gross subscriber additions was partially offset by increased gross subscriber additions in Chile, Colombia and Ecuador primarily due to greater mass market demand. Average monthly total subscriber churn decreased as a result of higher pre-paid reconnection rates, coupled with lower post paid churn in 2013.

Revenues. Revenues increased in 2013 as compared to 2012 due to subscriber growth, partially offset by a decrease in ARPU. The decrease in ARPU was primarily due to the devaluation of the Venezuelan bolivar in February 2013 and currency depreciation in Argentina, partially offset by price increases.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization decreased in 2013 as compared to 2012, primarily in Venezuela as a result of the charge resulting from the devaluation of the bolivar in February 2013. The decrease in operating profit before depreciation and amortization in Venezuela was partially offset by an increase in operating profit before depreciation and amortization in Colombia and Argentina, primarily due to higher revenues, partially offset by higher broadcast programming costs and subscriber service expenses related to the larger subscriber base, as well as higher general and administrative expenses related to higher infrastructure costs.

Operating profit before depreciation and amortization margin decreased in 2013 as compared to 2012, primarily in Venezuela, as the higher revenues were more than offset by the impact of the $166 million charge related to the devaluation of the bolivar in February 2013.

Operating profit. Operating profit and operating profit margin decreased in 2013 as compared to 2012, primarily due to the decrease in operating profit before depreciation and amortization and an increase in depreciation and amortization expense due to higher total capitalized subscriber leased equipment and higher depreciation expense due to higher total capitalized subscriber leased equipment and installation costs.

DIRECTV Consolidated Other Income, Income Taxes and Net Income Attributable to Noncontrolling Interest

Interest income. Interest income was $72 million in 2013 and $59 million in 2012 .

Interest expense. The decrease in interest expense to $840 million in 2013 from $842 million in 2012 was primarily a result of the settlement of the ECAD dispute, partially offset by the impact of a higher average debt balance. We capitalized interest costs of $41 million in 2013 and $24 million in 2012.

Other, net. The significant components of "Other, net" were as follows:

	2013	2012	Change
	(Dollars in Millions)		
Equity in earnings from unconsolidated affiliates (1)	$ 198	$ 131	$ 67
DSN Northwest deconsolidation charge	(59)	—	(59)
Net foreign currency transaction loss	(52)	(34)	(18)
ECAD settlement gain	21	—	21
Net gains from sale of investments	8	122	(114)
Fair-value loss on non-employee stock options	(7)	(4)	(3)
Other	(3)	(11)	8
Loss on early extinguishment of debt	—	(64)	64
Total	$ 106	$ 140	$ (34)

(1) Includes an increase in equity earnings from Sky Mexico of approximately $60 million related to the recognition of certain one-time tax benefits in 2013.

Income tax expense. We recognized income tax expense of $1,603 million in 2013 and $1,465 million in 2012. The effective tax rate for 2013 was 35.7% compared to 33.0% for 2012. The higher effective tax rate in 2013 was primarily attributable to the unfavorable tax impacts of the Venezuela currency devaluation and the DSN Northwest Transaction in 2013 and a benefit recorded for the recognition of uncertain tax benefits due to the expiration of the statute of limitations in federal and foreign tax jurisdictions in 2012.

Net income attributable to noncontrolling interest. Net income attributable to noncontrolling interest was $26 million in 2013 and $28 million in 2012.

Earnings Per Share

Common stock earnings per share and weighted shares outstanding were as follows for the years ended December 31:

	2013	2012
Basic earnings attributable to DIRECTV per common share	$ 5.22	$ 4.62
Diluted earnings attributable to DIRECTV per common share	$ 5.17	$ 4.58
Weighted average number of common shares outstanding (in millions):		
Basic	548	638
Diluted	553	644

The increases in basic and diluted earnings per share were due to a reduction in weighted average shares outstanding resulting from our share repurchase program, partially offset by lower net income attributable to DIRECTV.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are our cash, cash equivalents and the cash flow that we generate from our operations. We expect that net cash provided by operating activities will grow and believe that our existing cash balances and cash provided by operations will be sufficient to fund our existing business plan. DIRECTV U.S. has the ability to borrow up to $2.5 billion under its revolving credit facilities. As of December 31, 2014, there were no borrowings outstanding under the revolving credit facilities. In addition, DIRECTV U.S. has a commercial paper program backed by its revolving credit facilities, which provides for the issuance of short-term commercial paper in the United States up to a maximum aggregate principal of $2.5 billion. At December 31, 2014, we had no short-term commercial paper outstanding compared with $200 million outstanding at December 31, 2013. Aggregate amounts outstanding under the revolving credit facilities and the commercial paper program are limited to $2.5 billion.

At December 31, 2014, our cash and cash equivalents totaled $4,635 million compared with $2,180 million at December 31, 2013.

As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.27 at December 31, 2014 and 0.91 at December 31, 2013. Working capital increased by $2,437 million to $1,860 million at December 31, 2014 from a deficit of $577 million at December 31, 2013. The increase during the year was primarily due to cash proceeds of $1,200 million from the December 2014 senior notes debt issuance coupled with the suspension of our share repurchase program in May 2014.

Summary Cash Flow Information

	Years Ended December 31,		
	2014	2013	2012
	(Dollars in Millions)		
Net cash provided by operating activities	$ 6,369	$ 6,394	$ 5,634
Net cash used in investing activities	(3,363)	(3,753)	(3,363)
Net cash used in financing activities	(168)	(2,176)	(1,242)
Free cash flow:			
Net cash provided by operating activities	$ 6,369	$ 6,394	$ 5,634
Less: Cash paid for property, equipment and satellites	(3,225)	(3,786)	(3,349)
Free cash flow	$ 3,144	$ 2,608	$ 2,285

Cash Flows Provided By Operating Activities

Net cash provided by operating activities decreased slightly in 2014 as compared to 2013 mainly due to an increase in cash paid for interest and taxes, partially offset by higher operating profit before depreciation and amortization. Net cash provided by operating activities increased in 2013 as compared to 2012 mainly due to higher operating profit before depreciation and amortization and an increase in cash generated from working capital mostly at DIRECTV U.S. related to timing of vendor payables and a decrease in inventory principally due to increased usage of refurbished set-top boxes, partially offset by increased prepaid expenses and cash paid for interest and taxes.

Cash paid for income taxes was $1,513 million in 2014, $1,479 million in 2013 and $1,406 million in 2012. The increase in cash paid for taxes in 2014 was primarily due to an increase in income before income taxes in the non foreign jurisdictions. The increase in cash paid for income taxes in 2013 resulted primarily from a tax payment for the settlement of prior year taxes.

Cash paid for interest was $886 million in 2014, $840 million in 2013 and $781 million in 2012. The increase in cash paid for interest from 2012 to 2014 is due to the increase in our average debt outstanding.

Cash Flows Used In Investing Activities

Capital expenditures for subscriber leased set-top receivers at DIRECTV U.S. decreased in 2014 from 2013 as slightly higher gross subscriber additions in 2014 were offset by lower hardware costs and an increase in the use of refurbished set-top receivers. Capital expenditures for subscriber leased set-top receivers at DIRECTV U.S. remained relatively flat from 2012 to 2013, as the decrease in gross subscriber additions has been offset by an increase in advanced set-top receivers provided to subscribers under upgrade and retention initiatives.

During 2014, 2013 and 2012, DIRECTV U.S. was in the process of constructing two satellites, D14, which was launched in the fourth quarter of 2014, and D15, which we expect to launch in the first half of 2015. Additionally, capital expenditures were higher in 2012 and 2013 as a result of the construction of our new El Segundo campus.

During 2014, 2013 and 2012, DIRECTV Latin America was in the process of constructing two satellites to be leased for PanAmericana, ISDLA 1, which launched in 2014, and ISDLA 2, which is expected to be launched in 2015. As a part of the lease agreement, we are required to make prepayments prior to the launch and commencement of the lease term. Payments related to the lease agreement totaled $88 million for 2014, $105 million for 2013 and $128 million for 2012 and are included as satellite capital expenditures. In addition, during 2013 DIRECTV Latin America contracted for the construction and launch of a new satellite for Sky Brasil, SKY-Brasil 1, which we expect to launch in the second quarter of 2016. DIRECTV Latin America paid $102 million in 2014 and $59 million in 2013 for the construction of SKY-Brasil 1 during 2014.

We paid $47 million in 2014, $66 million in 2013 and $16 million in 2012 for investments, net of cash acquired, in various companies. Our cash spending on investment in companies is discretionary and we may fund strategic investment opportunities should they arise in the future. We received cash proceeds of $32 million in 2014, related to the sale of various investments, $257 million in 2013, primarily related to the 2012 sale of an 18% interest in Game Show Network, and $24 million also related to the sale of various investments, as further discussed in Note 8 of the Notes to the Consolidated Financial Statements. In addition, we paid cash of $120 million for broadband spectrum licenses at DIRECTV Latin America in 2014 and $159 million for spectrum at DIRECTV Latin America and new patent licenses in DIRECTV U.S. in 2013.

Cash Flows Used in Financing Activities

During 2014, we had $2,437 million of net cash proceeds from the issuance of senior notes, $195 million of cash proceeds from BNDES, $18 million of cash proceeds from Desenvolve SP and $200 million of net cash repayments of short-term commercial paper. We also repaid $1,000 million of our senior notes and $66 million of the BNDES financing facility in 2014. During 2013, we had $1,947 million of net cash proceeds from the issuance of senior notes, $152 million of cash proceeds from BNDES and $158 million of net cash repayments of short-term commercial paper. We also repaid $15 million of the BNDES financing facility and borrowed and repaid $10 million under our revolving credit facility in 2013. During 2012, we had $5,190 million of net cash proceeds from the issuance of senior notes and $358 million of net cash proceeds from the issuance of short-term commercial paper. We also repaid $1,500 million of our long-term debt and borrowed and repaid $400 million under our revolving credit facility.

Under our share repurchase program, we repurchased and retired $1,386 million in 2014, $4,000 million in 2013, and $5,175 million in 2012 of our common shares. The decrease in the cash payments in 2014 was due to the suspension of our share repurchase program in May 2014, as further discussed below.

Share Repurchase Program

Since 2006 our Board of Directors has approved multiple authorizations for the repurchase of our common stock. In February 2014 our Board of Directors approved an authorization for up to $3.5 billion for repurchases of our common stock. On May 18, 2014, DIRECTV and AT&T entered into a definitive agreement under

which AT&T will combine with DIRECTV in a stock-and-cash transaction. As a result, we have suspended the share repurchase program and agreed to not purchase, repurchase, redeem or otherwise acquire any shares of our capital stock during the pendency of the proposed transaction with and without AT&T's consent.

Debt

At December 31, 2014, we had $20,812 million in total outstanding borrowings, which consisted of senior notes and borrowings under the BNDES and Desenvolve SP financing facilities at Sky Brasil. Our outstanding borrowings are more fully described in Note 10 of the Notes to the Consolidated Financial Statements in Item 8, Part II of this Annual Report.

Should the proposed merger transaction with AT&T not proceed, we may borrow in the future in order to maintain a ratio of outstanding long-term debt equal to approximately 2.5 times operating profit before depreciation and amortization of DIRECTV on a consolidated basis. We will continue to evaluate our optimal leverage on an ongoing basis. Regardless of the proposed merger transaction with AT&T, we may purchase our outstanding senior notes in the future from time to time in open market transactions or otherwise as part of liability management initiatives.

Senior Notes. At December 31, 2014, DIRECTV U.S.' senior notes had a carrying value of $20,527 million and a weighted-average coupon rate of 4.5%. The principal amount of our senior notes mature as follows: $1,200 million in 2015, $2,250 million in 2016, $1,250 million in 2017, $750 million in 2018, $1,000 million in 2019 and $14,068 million thereafter.

Commercial Paper. On November 27, 2012, DIRECTV U.S. established a commercial paper program backed by its revolving credit facilities, which provides for the issuance of short-term commercial paper in the United States up to a maximum aggregate principal of $2.5 billion. As of December 31, 2014, we had no short-term commercial paper outstanding. As of December 31, 2013, we had $200 million of short-term commercial paper outstanding, with a weighted average maturity of 133 days, at a weighted average yield of 0.41%.

Revolving Credit Facilities

DIRECTV U.S. has a $1.0 billion revolving credit facility, which expires in February 2016, and a $1.5 billion revolving credit facility, which expires in September 2017. We pay a commitment fee of 0.15% per year for the unused commitment under the revolving credit facilities. Borrowings currently bear interest at a rate equal to the London Interbank Offer Rate (LIBOR) plus 1.25%. Both the commitment fee and the annual interest rate may increase or decrease under certain conditions due to changes in DIRECTV U.S.' long-term, unsecured debt ratings. Under certain conditions, DIRECTV U.S. may increase the borrowing capacity of the revolving credit facilities by an aggregate amount of up to $500 million. Aggregate amounts outstanding under the revolving credit facilities and the commercial paper program are limited to $2.5 billion. As of December 31, 2014 and December 31, 2013, there were no borrowings outstanding under the revolving credit facilities.

Borrowings under the revolving credit facilities are unsecured senior obligations of DIRECTV U.S. and will rank equally in right of payment with all of DIRECTV U.S.' existing and future senior debt and will rank senior in right of payment to all of DIRECTV U.S.' future subordinated debt, if any.

Covenants and Restrictions

The revolving credit facilities require DIRECTV U.S. to maintain at the end of each fiscal quarter a specified ratio of indebtedness to earnings before interest, taxes and depreciation and amortization. The revolving credit facilities also include covenants that limit DIRECTV U.S.' ability to, among other things, (i) incur additional subsidiary indebtedness, (ii) incur liens, (iii) enter into certain transactions with affiliates, (iv) merge or consolidate with another entity, (v) sell, assign, lease or otherwise dispose of all or substantially all of its assets,

and (vi) change its lines of business. Additionally, the senior notes contain restrictive covenants that are similar. If DIRECTV U.S. fails to comply with these covenants, all or a portion of its borrowings under the senior notes could become immediately payable and its revolving credit facilities could be terminated. At December 31, 2014, management believes DIRECTV U.S. was in compliance with all such covenants. The senior notes provide that the borrowings may be required to be prepaid if certain change-in-control events, coupled with a ratings decline, occur. The revolving credit facilities provide that the borrowings may be required to be prepaid if certain change-in-control events occur.

DIRECTV Guarantors. DIRECTV guarantees all of the senior notes then outstanding, jointly and severally with DIRECTV Holdings LLC's material domestic subsidiaries. DIRECTV unconditionally guarantees that the principal and interest on the respective senior notes will be paid in full when due and that the obligations of the Co-Issuers to the holders of the outstanding senior notes will be performed. The revolving credit facilities and the commercial paper program are also similarly fully guaranteed by DIRECTV.

As a result of the guarantees, holders of the senior notes, the revolving credit debt and the commercial paper have the benefit of DIRECTV's interests in the assets and related earnings of our operations that are not held through DIRECTV Holdings LLC and its subsidiaries. Those operations are primarily our DTH digital television services throughout Latin America which are held by DIRECTV Latin America and our regional sports networks which are held by DSN. However, the subsidiaries that own and operate the DIRECTV Latin America business and the regional sports networks have not guaranteed the senior notes, the revolving credit facilities and the commercial paper program.

The guarantees are unsecured senior obligations of DIRECTV and rank equally in right of payment with all of DIRECTV's existing and future senior debt and rank senior in right of payment to all of DIRECTV's future subordinated debt, if any. The guarantees are effectively subordinated to all existing and future secured obligations, if any, of DIRECTV to the extent of the value of the assets securing the obligations. DIRECTV is not subject to the covenants contained in each indenture of the senior notes and our guarantees will terminate and be released on the terms set forth in each of the indentures.

BNDES Financing Facility

In March 2013, Sky Brasil entered into a Brazilian real denominated financing facility with Banco Nacional de Desenvolvimento Econômico e Social, or BNDES, a government owned bank in Brazil, under which Sky Brasil may borrow funds for the purchase of set-top receivers. As of December 31, 2014, Sky Brasil had borrowings of R$710 million ($267 million) outstanding under the BNDES facility bearing interest at a weighted-average rate of 5.11% per year. As of December 31, 2013, Sky Brasil had borrowings of R$320 million ($137 million) outstanding under the BNDES facility bearing interest at a weighted-average rate of 3.07% per year. Borrowings under the facility are required to be repaid in 30 monthly installments. The U.S. dollar amounts reflect the conversion of the Brazilian real denominated amounts into U.S. dollars based on the exchange rates of R$2.66 / $1.00 and R$2.34 / $1.00 as of December 31, 2014 and December 31, 2013, respectively.

Borrowings under the BNDES facility mature as follows: R$338 million ($127 million) in 2015, R$274 million ($103 million) in 2016 and R$98 million ($37 million) in 2017. The financing facility is collateralized by the financed set-top receivers with an original purchase price of approximately R$1,024 million ($385 million) based on the exchange rate of R$2.66 / $1.00 as of December 31, 2014.

Desenvolve SP Financing Facility

In the second quarter of 2014, Sky Brasil entered into a Brazilian real denominated financing facility with Desenvolve SP, an agency created by the Sao Paulo State Government for economic development, under which Sky Brasil may borrow funds for the construction of a satellite and broadcast facility. Each borrowing under the facility, including accrued interest, will be repaid in a single installment five years from the date of such borrowing. The financing facility is secured by a third party bank guarantee. As of December 31, 2014, Sky

Brasil had borrowings of R$48 million ($18 million) under the facility bearing interest of 2.5% per year, with a maturity of 2019. The U.S. dollar amounts reflect the conversion of the Brazilian real denominated amounts into U.S. dollars based on the exchange rate of R$2.66 / $1.00 at December 31, 2014.

Contingencies

Venezuela Devaluation and Foreign Currency Exchange Controls. Companies operating in Venezuela are required to obtain Venezuelan government approval to exchange Venezuelan bolivars into U.S. dollars and such approval has not consistently been granted for several years. Consequently, our ability to pay U.S. dollar denominated obligations and repatriate cash generated in Venezuela in excess of local operating requirements is limited, which has resulted in increases in the cash balance at our Venezuelan subsidiary, and limited our ability to import set-top receivers and other equipment, limiting the growth of our business in Venezuela.

In February 2013, the Venezuelan government announced a devaluation of the Venezuelan bolivar from the official exchange rate of 4.3 Venezuelan bolivars per U.S. dollar to an official rate of 6.3 Venezuelan bolivars per U.S. dollar. As a result of the devaluation, we recorded a pre-tax charge in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations of $166 million ($136 million after tax) in the first quarter of 2013, related to the remeasurement of the bolivar denominated net monetary assets of our Venezuelan subsidiary as of the date of the devaluation.

In the first quarter of 2013, the Venezuelan government announced a new currency exchange system, the Sistema Complementario de Administración de Divisas, or SICAD 1, which is intended to function as an auction system for participants to exchange Venezuelan bolivars for U.S. dollars. The volume of amounts exchanged through such SICAD 1 system and the resulting exchange rate are published by the Venezuelan Central Bank. Effective January 24, 2014, the Venezuelan government announced that dividends and royalties would be subject to the SICAD 1 program. The SICAD 1 exchange rate, which was 12.0 Venezuelan bolivars per U.S. dollar as of December 31, 2014, is determined by periodic auctions. In February 2014, the Venezuelan government announced SICAD 2, which is an exchange mechanism that became available on March 24, 2014. The exchange rate for SICAD 2 was 49.99 Venezuelan bolivars per U.S. dollar as of December 31, 2014. Additionally, in February 2015, the Venezuelan government announced that the SICAD 2 exchange mechanism would no longer be available and created SIMADI, a new open market currency exchange system.

We currently believe the SICAD 1 rate is the most representative rate to use for remeasurement, as the official rate of 6.3 Venezuelan bolivars per U.S. dollar will likely be reserved only for the settlement of U.S. dollar denominated obligations related to purchases of "essential goods and services," and the equity of our Venezuelan subsidiary would be realized, if at all, through permitted dividends paid at the SICAD 1 rate. Therefore, as of December 31, 2014, we are continuing to remeasure our Venezuelan subsidiary's financial statements in U.S. dollars using the exchange rate determined by periodic auctions under SICAD 1, which was 12.0 Venezuelan bolivars per U.S. dollar. Prior to March 31, 2014, we used the official exchange rate of 6.3 Venezuelan bolivars per U.S. dollar. As a result of the devaluation, we recorded a pre-tax charge in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations of $281 million in the first quarter of 2014, related to the remeasurement of the bolivar denominated net monetary assets of our Venezuelan subsidiary on March 31, 2014.

As of December 31, 2014, our Venezuelan subsidiary had Venezuelan bolivar denominated net monetary assets of $481 million, including cash of $481 million, based on the SICAD 1 exchange rate of 12.0 Venezuelan bolivars per U.S. dollar. In 2014, our Venezuelan subsidiary generated revenues of approximately $900 million and operating profit before depreciation and amortization of approximately $400 million, excluding the impact of the $281 million Venezuelan devaluation charge, as well as the impact of additional exchange rate losses in Venezuela recorded during 2014. The exchange rate used to report net monetary assets and operating results of our Venezuelan subsidiary is currently based on the results of periodic SICAD 1 auctions, which is expected to result in fluctuations in reported amounts that could be material to the results of operations in Venezuela in future periods and could materially affect the comparability of results for our Venezuelan subsidiary between

periods. The comparability of our results of operations and financial position in Venezuela will also be affected in the event of additional changes to the currency exchange rate system, further devaluations of the Venezuelan bolivar or if we determine in the future that a rate other than the SICAD 1 rate is appropriate for the remeasurement of our Venezuelan bolivar denominated net monetary assets.

Income taxes. During 2014, we reached settlement with various state tax jurisdictions resulting in the recognition of uncertain tax benefits. As a result we recorded a benefit of $35 million in "Income tax expense" in the Consolidated Statements of Operations during the year ended December 31, 2014. During 2013, we reached settlement with federal and state tax jurisdictions resulting in the recognition of uncertain tax benefits. As a result we recorded a benefit of $76 million in "Income tax expense" in the Consolidated Statements of Operations during the year ended December 31, 2013. We engage in continuous discussions and negotiations with federal, state, and foreign taxing authorities and reevaluate our uncertain tax positions, and, while it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter or tax position, we believe that it is reasonably possible that our unrecognized tax benefits will not change materially during the next twelve months.

Other. Several factors may affect our ability to fund our operations and commitments that we discuss in "Contractual Obligations," "Off-Balance Sheet Arrangements" and "Contingencies" below. In addition, our future cash flows may be reduced if we experience, among other things, significantly higher subscriber additions than planned, increased subscriber churn or upgrade and retention costs, higher than planned capital expenditures for satellites and broadcast equipment, satellite anomalies or signal theft. Additionally, DIRECTV U.S.' ability to borrow under the revolving credit facilities is contingent upon DIRECTV U.S. meeting financial and other covenants associated with its facilities as more fully described above.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of December 31, 2014, including the future periods in which payments are expected. Additional details regarding these obligations are provided in the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report, as referenced in the table. The contractual obligations below do not include payments that could be made related to our net unrecognized tax benefits liability, which amounted to $516 million as of December 31, 2014. The timing and amount of any such future payments is not reasonably estimable, as such payments are dependent on the completion and resolution of examinations with tax authorities.

	Payments Due By Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
	(Dollars in Millions)				
Long-term debt obligations (Note 10) (a)	$ 31,899	$ 2,220	$ 5,273	$ 3,289	$ 21,117
Purchase obligations (Note 21) (b)	16,330	2,158	3,791	3,576	6,805
Operating lease obligations (Note 21) (c)	963	108	200	198	457
Capital lease obligations (Notes 13 and 21) (d)	1,331	146	283	254	648
Total	$ 50,523	$ 4,632	$ 9,547	$ 7,317	$ 29,027

(a) Long-term debt obligations include interest calculated based on the rates in effect at December 31, 2014, however, the obligations do not reflect potential prepayments required under indentures.

(b) Purchase obligations consist primarily of broadcast programming commitments, regional professional team rights agreements, service contract commitments and satellite construction and launch contracts. Broadcast programming commitments include guaranteed minimum contractual commitments that are typically based on a flat fee or a minimum number of required subscribers subscribing to the related programming. Actual